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DENMARK

Poll Indicates Decline for Coalition Partners

Survival Less in Doubt

36130079 Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jul 88 p 3

[Article Ole Dall: "Revolution and New Alliances Help KVR"]

[Text] The first month of the KVR [Conservative Party (K) and Radical Liberal Party (VR)] government was rocky, but more party political turnarounds and new cooperation patterns suddenly give the government a better chance of a long life. Poul Schluter has won the middle ground, and the Social Democratic Party ended the season in the role of an observer.

Breakdown in discussions right and left, a majority against the government and rejected solutions.

The first phase of the KVR government must have given new life to Prime Minister Poul Schluter's dream of being the leader of a majority government at least once.

But, during the course of events last week and until the final session of the Folketing before summer vacation on Friday, gave the three-party government a realistic hope of—if not a peaceful life—at least a long one.

The reason for that is party political actions and totally new alliance possibilities in Danish politics which give the KVR government greater maneuvering possibilities.

It comes forth in the government's acceptance statement that it is looking for the broadest cooperation across the middle. The KVR coalition first went to the Social Democratic party when agriculture, long-term unemployment and tax on interest were to be debated.

That did not work. The Progressive Party [FP] was waiting in the wings. During the election campaign, the Radical Liberal Party [RV] warned against the influence of list Z, and this small middle party joined the government coalition, among other things, in order to set the course firmly in the middle along with Captain Schluter at the helm.

But after a turnaround by the Radical Liberal Party, the party was back to the words of its previous leader, Hilmar Baunsgaard, namely, that the deciding factor is not whom one works with, but rather what the objective of the cooperation is.

After Mogens Glistrup presented a demand in the first debate, which the government had set at 5 billion, the Progressive Party made a turnaround, to the great delight of the KVR, by making Glistrup stay at home while the compromise was being ironed out.

SF Surprise

Today was the SF's [Socialist People's Party] turn to be surprising. The party's finance spokesman, Jes Lunde, admitted to BERLINGSKE TIDENDE that the government could hardly be overturned at this time and that is why he, on his party's behalf, prepared for cooperation with the government. Even in situations "where the Social Democratic Party does not."

Both Prime Minister Poul Schluter and Minister of Economic Affairs Niels Helveg Petersen [Radical Liberal Party] seized that gesture of cooperation, so that in the next Folketing session, all the parties in the Folketing will therefore have a chance/risk of exercising influence.

Poul Schluter says that the new government has led to a "little revolution for the opposition parties."

He is totally convinced that the government has the possibility of gaining a majority: "Danish politics will yield increased results. The government will talk to all parties that show good intentions of supporting us. We want as broad a majority as possible on all issues," says Schluter.

The atmosphere at Christiansborg was quite special after the agricultural compromise was reached on Thursday. The press surrounded cabinet members and politicians from the Progressive party, while the Social Democratic Party [S] leadership was free as a bird.

Nonetheless, the party called a press meeting with the entire leadership in order to get some attention and that meeting dragged on for half an hour without any news. The country's largest party was in the role of an observer, while the ground was held by other parties.

Schluter Won Middle Ground

"Schluter has won the middle ground in Danish politics by getting the Radical Liberal Party in the government," admitted Jimmy Stahre, member of the Folketing for the Social Democratic Party. He stays with the soccer terms and hopes for a Social Democratic counter play, while the tactics for an offensive are being laid.

The Social Democratic Party leadership blames the lack of government concessions alone for the fact that the broad compromise was not reached. Svend Auken [S] accuses the government of "tying itself to the right," while the party leadership has already calmed the government in the budget matter by promising not to vote against it in December. This is not a new announcement but it is included in order to increase the staying power of KVR.

It is the belief within the government, especially among the Radical Liberal Party, that for tactical reasons, the Social Democratic Party does not want to give the KVR a good start with a broad compromise. "It was not

substance that made the difference, rather than the Social Democratic Party could not concede to give the new boy in the class a compromise," says Niels Helveg Petersen.

In general, the government expects the LO [Danish Federation of Trade Unions] to press the Social Democratic Party to try to exercise influence when big issues, such as the budget, long-range unemployment and pension reform will be debated in the fall.

"This last development is a setback for Svend Auken and Ritt Bjerregaard who have pursued the hard line within the Social Democratic party," says Kent Kirk, political spokesman for the Conservative Party.

Center Democratic Party: The Whole Thing Is Unnatural

There is glee within the Progressive Party about the fact the Social Democratic Party is "put on the outside."

"Svend Auken's point that the Progressive Party must not gain any influence is shameful," says Pia Kjaersgaard.

Poul Schluter says about the parties of the previous government, the Center Democrats and the Christian People's Party, that "it is new and unexpected that they are in opposition, but they will obviously want to help with the work."

These two parties have, however, already showed on many points that they are now out of the game and can freely join a majority against the government. Moreover, the chairman of the parliamentary group of the Center Democrats says about KVR:

"This is an unnatural government. That is why we also have an unnatural opposition—and therewith an unnatural Folketing. All patterns have been broken. The entire thing is unnatural."

Progressive Party Gains

36130079 Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jul 88 p 3

[Article by Ole Dall: "Gallup Poll: Progressive Party and Socialist People's Party Gain"]

[Text] The Progressive Party is about to catch up with the Liberal Party, and the Socialist People's Party also receives increased support, according to the Gallup poll. The opinion poll puts the Christian People's Party below the required limit. Minor fluctuations are noted in the other parties.

Hard debates and hard accusations at Christiansborg during the KVR government's first phase have not made the voters react strongly.

This comes forth in the Gallup opinion poll which is published today in BERLINGSKE TIDENDE. It was conducted from June 11 until Tuesday.

Political Index Question:

Which party would you vote for if the parliamentary elections were to be held tomorrow?

Period: June 14-June 30 1988	May 10 percent	May 88 percent	June percent
Social Democratic Party	29.8	30.2	30.1
Radical Liberal Party	5.6	5.8	5.0
Conservative Party	19.3	18.1	18.0
Socialist People's Party	13.0	12.2	14.6
The Greens	1.4	-	-
Communist Party	0.8	-	-
Center Democrats	4.7	4.2	4.8
Joint Course	1.9	-	-
Christian People's Party	2.0	-	-
Liberal Party	11.8	12.7	11.7
Left Socialist Party	0.6	-	-
Progressive Party	9.0	11.0	11.4
Other parties*	0.1	5.8	4.4
Total	100.0	100.0	100.0

* Parties with less than 2 percent of the votes

Division of Mandates

	Gallup	Election '88
Social Democratic Party	155	55
Radical Liberal Party	9	10
Conservative Party	33	35
Socialist People's Party	27	24
Center Democrats	9	9
Christian People's Party	0	4
Liberal Party	21	22
Progressive Party	21	16

The advance line of the Progressive Party continues, however, and the party now receives just as much support as the Liberal Party. The Progressive Party has made well over 2 percent progress in comparison to the election.

The Socialist People's Party lost support in the election but, according to the Gallup poll, the party is now gaining. On the evening of the election, the Christian People's Party balanced on the required 2-percent limit, and in the new poll, the party has fallen into the parliamentary abyss.

The fluctuations are not marked for the other parties in comparison to the election and last month's Gallup poll.

A mandate calculation based on the Gallup figures shows that even if the Christian People's Party delivers all four mandates, there is still a good portion needed to form a red majority. The Social Democratic Party and the Socialist People's Party can together bring 82 mandates, but 90 mandates are needed in order to receive a majority.

Together, the KVR parties must deliver four mandates: Two from the Conservative Party, one from the Liberal Party and one from the Radical Liberal Party.

Paper Comments on Poll
*36130079 Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jul 88 p 12*

[Editorial: "Promising Start an Obligation"]

[Text] The Gallup survey which is published today indicates a certain nonsocialist doubt about the KVR government. All three government parties have lost support in comparison with the election this spring and the survey that was conducted immediately afterwards. But it does "not" disclose the voters' reaction to the government's actions. The survey is conducted too early with respect to the most recent agricultural compromise. As the Folketing is now in summer recess, the government parties must now demonstrate a powerful effort in order to inform the voters about the concrete legislation results the KVR government already has reached—results which the four-party coalition government had to be without during its last difficult 6 months.

The problem of the four-party coalition government was that it was in the minority in, among other things, security policy issues, which in fact was a precise reason for the election in May. An additional factor was that internally, the government had problems agreeing on a sufficiently strict expense policy, which did not help, and the succeeding government had to make concessions in order to gain a majority in the Folketing. The KVR government does not have any more mandates behind it, but it has already—in keeping with the Radical Liberal Party government participation—shown itself to be good at maneuvering—as well as courageous. The latter is confirmed by the implementation of the up-to-date employment freeze in the public sector.

The doubt that many have shown the new government is based on wide spread fear that the government will not be sufficiently nonsocialist. If the basis for comparison is the old four-party government and the Social Democratic alternative, this fear seems to be completely without foundation. Neither a new four-party government or an eventual KV [Conservative Party and Liberal Party] government (and obviously not a government led by the Social Democratic Party) would have found such a sensible solution to the fight about nuclear arms policy which the KVR government agreed on. The same can be noted about the government's agreement with the municipalities about unchanged expenditures "and"

taxes in 1989. But added to that, which many people seem to have forgotten when the political process is the most chaotic, is that the government has had success in the legislative area.

Since the election, the KVR government has, among other things, gained a majority for needed agricultural help (the compromise approved on Friday) and Danish shipping ("shipping" package with Danish International Shipping register). In addition, the proposal for a so-called simplified tax return form, and publicity financing of and newspaper participation in local radio activities. This is an excellent start, which should give both the critics of the government and the opposition parties something to reflect upon, but both are using more energy to inconvenience the government rather than contribute to the solution of the problems.

And this is such a promising beginning that it obligates the government to prepare an initiative that strengthens the economic restoration, intensifies the modernization of the public authorities and encourages the changeover of economic terms to the inner market of EC.

The positive reactions from the voter will then appear!

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GREECE

Changes Viewed as Inevitable for Papandreou

Partial Endorsement of Capitalism
*35210115 Athens I KATHIMERINI in Greek
18 Jun 88 p 2*

[Text] A. Papandreou himself yesterday responded to those who were unable or unwilling to understand that the 7-year experience in government has contributed to the virtually complete incorporation of socialist ideals.

"I am now a more conscientious socialist than before...." In his mostly interesting speech to the symposium on "The European Left in the Year 2000," Papandreou did not attempt to prove that our country's socialist transformation under PASOK corresponds to his current socialist consciousness.

In any event, that was not the subject of his speech. In his general presentation of his views, he refused to accept that "capitalism is on its death-bed," in contrast to "centralized planning," as he said, while he noted that "we must credit to the positive aspects of capitalism the technological revolution."

During the opening day of the 3-day symposium organized by the periodical SOCIALIST THEORY AND PRACTICE, several members of the cabinet were

present, together with leading PASOK personalities, cadres of the traditional Left, and representatives of socialist and communist parties from Eastern and Western Europe.

Symposium on European Left
35210115 Athens *EMBISTEVTIKO GRAMMA*
in Greek 8 Jun 88 p 3

[Text] Many Greeks of the bourgeoisie and recently many of the country's industrialists believe that PASOK has changed its political orientation and that its acceptance of the EEC reality does not make it very different from the Socialist Democratic parties in the West. This view is based on certain formal speeches by the premier but also on assurances by known moderate cadres in the government.

However, if one were to check more carefully the work being done by PASOK propaganda organs among the rank and file, he would discover the PASOK may have abandoned certain Third World dreams and that the views and positions it expresses are much closer to those of the communist parties in Western Europe than to those of the socialists and social democrats.

Even more so, Pasok's ideological positions are closer to those of the orthodox communist parties than to those of the Italian Communist Party which is more Eurocentrist.

A researcher can find a great deal of material on Pasok's ideological views in the periodical *SOCIALIST THEORY AND PRACTICE*, PASOK'S official propaganda publication, directed by G. Papadatos.

This periodical has organized at the Hotel Intercontinental for 17, 18 and 19 June, an international symposium on "The European Left in the Year 2000." At this symposium, which we understand will cost over 20 million drachmas, Premier A. Papandreu will give the opening speech. More delegates of communist and Third World movements have been invited than delegates from Western European socialist and Social Democratic parties.

'Perestroyka' Seen Needed
35210115 Athens *KYRIAKATIKI ELEVTHEROTYPIA*
in Greek 5 Jun 88 p 9

[Article by Potis Paraskevopoulos]

[Text] With his speech in Irakleion, Crete and his interviews in PONDIKI and in the German magazine STERN, Premier Papandreu has presented a new strategy and tactics for PASOK. He has rejected the strategy of confrontation with the "bourgeois establishment" and the Western Alliance. He has abandoned the tactic of polarization and political confrontation with references to the past.

This is a different political position Kostas Laliotis and Menios Koutsogiorgas will do well to carefully study, especially the points which are of particular interest to them. Except and if the premier, in his speech tonight during the debate on the motion for censure, changes his recent political pronouncements and returns to the role of the gladiator and to the distant past, in order to again trap the Left wing of the Chamber of Deputies—in which case Laliotis and Koutsogiorgas will have good reason to proudly claim that they know the real identity of A. Papandreu better than anyone else.

Regardless of any possible change during the 3-day debate in the Chamber of Deputies, the scenario set by A. Papandreu in Irakleion, Crete, calls for the PASOK leadership to start preparing a "different" PASOK for the 1989 electoral campaign. Otherwise, it will have no hope to remain in power for a third term.

The surprises and aces A. Papandreu is supposed to have up his sleeve are more or less gone. PASOK needs to present a different political face with a different strategy and tactics. The party cannot win the next election using the confrontational tactics of K. Laliotis, rehashing of the past, and the [attacks on the Right] practice of Menios Koutsogiorgas. The electorate rejects these tactics like a foreign offshoot.

On 24 April we noted the following in this newspaper: "The PASOK leadership has not understood that its electoral success in the forthcoming general election depends on what happens in the Right wing of the movement, because it is this wing which is collapsing. The voters in this wing are abandoning PASOK and moving to the New Democracy Party or to the political group of the 'undecideds.' PASOK's Left wing may raise its voice in protest, but it will not abandon the party on election day...."

After 7 years in power and many quixotic wanderings around the Soviet, East European, and Third World socialist models, PASOK's chairman is now landing in the European West. On 9 June, in Rome, he will take part in the conference of Western European socialist party leaders. Andreas Papandreu understands now, probably, that PASOK's Left wing is Eurosocialist.

With its Right wing collapsing and its Left wing gravitating to Western Europe, PASOK has no alternative but to attempt its own political "perestroika." This efforts is clearly reflected in Papandreu's two speeches in Irakleion and in his two interviews with PONDIKI and STERN. It is the European face of the PASOK leadership and above all the new face of Papandreu. This is his West European political presence in preparation for the electoral contest in 1989.

Andreas Papandreu now has the problem of "Europeanizing" politically and ideologically PASOK's leading cadres. He finds it easy to move from "the 3rd of

September declaration" to the conference of Eurosocialist leaders in Italy. He has no difficulty in changing his old slogans about EEC as an evil syndicate and proclaiming it a protector of our national frontiers. And he has difficulty in declaring private enterprise as the moving force of our national economy. He has no difficulty in passing over the dividing line [between Left and Right] set by Koutsogiorgas and seek the support of the Right in a united national course. This is so only because Papandreu is the only one in the party leadership who knows where the party is going. All the others are being surprised and mesmerized with admiration by "Andreas' surprises."

But it is difficult for PASOK's historic leadership to abandon its revolutionary aerobics and confrontational politics and throw itself into the arms of European Social Democracy; to jump over from its war against business to a policy of sweetness for private enterprise; to shift from Koutsogiorgas' "black or white" to a multi-colored, pluralistic policy. This is difficult for the additional reason that PASOK's leading cadres continue to worry about the new surprises Papandreu may spring on them. These reservations are one reason for the difficulty the party faces in "selling" the new political face of PASOK and its chairman of the electorate.

Yet PASOK's leadership has no alternative other than to change PASOK. So Papandreu is now attempting his own perestroika. First he needs to convince the party cadres of the necessity to affect this change and then convince the electorate, friends and opponents, that this is not just a show for the sake of the election. The only prescription for achieving this is the one applied by Gorbachev in his party and country: Perestroyka and glasnost.

A party, a leadership, can persuade the people that it is indeed changing its political course only if it is willing to shed full light on its significant mistakes committed so far. To change PASOK the leadership must first reveal and admit its mistakes before the party and the people—before the party, in order to change the party, and before the people, in order to convince them it is really changing. If it does not do just that, both the party and the will be left with the impression that the change is merely one of those periodic political metamorphoses in which Papandreu engages to hold on to power. But even these opportunistic changes will be given the lie by some Laliotis or some Koutsogiorgas. In this case they will have no beneficial effect for PASOK at the polls.

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Comments on Interpretations of Last Government Reshuffle

Reshuffle Seen Weakening Party

35210121 Athens *EMBISTEVTIKO GRAMMA* in Greek 22 Jun 88 p 1

[Text] The 14th reshuffle of the government has led to interesting conclusions and observations that surely will have their consequences in the future.

Specifically, everything that transpired before the reshuffle, the focal point being the assignment of Mr Giorgos Papandreu as minister as well as the general picture of the new government, has led to the following conclusions:

1. That, because the only cohesive tissue of PASOK is the government in power (because every ideological principle has faded by now and the person of the prime minister, Mr A. Papandreu, does not comprise a steady unifying factor), the dissensions for the distribution of power are getting more intensified, and the demands of deputies and cadre to occupy governmental and state offices also are getting more intensified. The fact that persons who were severely critical of the course followed by the government and personally of Mr A. Papandreu entered the government, reveals that the limits of the prime minister's omnipotence are restricted and that he is compelled to take these ambitions and disputes into consideration and not ignore them or put them "out of the party" as he did in the past.
2. That PASOK does not have considerable uniform reserves. On the contrary, persons who are tarnished, either in the governmental area or in the wider popular conscience, have gotten into the government. All the PASOK reserves that are worth anything (K. Lazaris, K. Simitis etc.) do not get into the government without specific terms and conditions, a fact that automatically would mean a decrease in the power and role of Mr A. Papandreu.
3. That the role of the party is decisively degraded, a role that is embodied in the governmental authority. With the reshuffle, PASOK is weakened as a party and is now reduced to a simple government mechanism without a view, a word, and influence.
4. Finally, the intense reactions regarding the elevating of the "first in his class" minister of the government Mr Giorgos Papandreu were impressive and compelled his father, the prime minister, to double back and retreat.

These reactions reveal how difficult it will be in the future for Mr A. Papandreu to impose a succession of his choice and how problematic the promotion of his son, Mr Giorgos Papandreu, still is, his qualification being almost only his blood relationship.

Ironic View of Officials Involved

35210121 Athens *ELEVTHEROTYPIA* in Greek
25 Jun 88 p 9

[Text] The 14th reshuffle of the PASOK government is a fact and is a taste of the same old thing. It happened for the sake of happening, to satisfy some of the "deprived," to maintain some delicate balances, and to achieve somewhere the application of the legendary from the post political change years "Allagi" (Change) of PASOK.

Since PASOK was unable to bring about the much desired Allagi in serious sectors, he at least changes his governments on an average of every 6 months. Perhaps the theatrical mentality prevails in PASOK: If the play is not doing well, change the cast.

Usually in theaters, when the cast is changed, the next one does well and the tickets sell well. Unfortunately, the same is not true for government formations, even though they are headed by the big star, Mr Andrea Papandreu. Perhaps what is at fault is that the government cast remains large and it is difficult to find 48 able ministers in the country of slogans, demagoguery and balcony speeches.

Perhaps the past 13 government formations were not successful because the members of the cast did not have the opportunity to communicate frequently with the star. If this was the reason for the failure then it is certain that the 14th change of the cast will be successful since the protagonist, Mr A. Papandreu, told the reporters after the first ministerial council meeting:

"I told the ministers that now they will have the facility to find me easier than in the past!"

That is great. For 7 years we went through 40 waves and today, from the lips of the prime minister, it is revealed that the ministers could not get to the head of the government easily and decided about critical matters by themselves. Now, however, he promised that they can get to him easier, in which case we can cheer and shout: A good ending, all is well.

But there is another reason why finally, the 14th government of Allagi will be successful. It is the guarantee that some new people offer to the government formation that was established the day before yesterday, such as for example Mr Tasos Sekhiotis, Mr Sifis Valyrakis in the Ministry of Public Order, Mr Khr. Markopoulos, like Harriman in the post of international relations without portfolio, and others.

For instance, Mr Tasos Sekhiotis was removed in record time from the Underministry of National Defense, because it is true that he could not understand that the budget of the military air force was larger than the one of the town of Tripolis. You ask me to sign for supplies costing 500,000,000 drachmae for the air force, while the entire budget for the town of Tripoli is not over 6,000,000 drachmae, he yelled at the air force generals.

I do not claim that general Antonis Drosogiannis is perfect or, if you will, successful, but he is by far more suitable than the lovable Mr Sekhiotis.

What should we say about Mr Sifis Valyrakis who as underminister will be put in charge of all the secret services? Mr Valyrakis is a brave man, but he was not able to manage the ball players. Will he be successful in

monitoring the KYP (Greek Intelligence Service) people? And indeed, as it is being whispered, will he manage to "bond" all the intelligence services for the sake of the unhindered promotion of Mr Giorgos Papandreu who now has half of the ministerial council on his side?

And we come to the great pacifist, Mr Khr. Markopoulos of KEADEA (Movement for National Independence, International Peace and Disarmament). He says he became a minister so that he may travel all over the world (except for the EEC and NATO) to improve the international relations of the country.

His qualifications are:

He is a declared leftist, even though he declared that he renounces the "bandits" (communist guerrillas) and that he fought against them.

He is a declared pacifist and, during the years 1977 to 1979, as president of the Greek nuclear scientists, he was fighting to have Greece get nuclear reactors (G. Votsis wrote about it and Mr Markopoulos denied it).

As soon as Mr Markopoulos became a minister, I called the professor of the university and the vice president of "Dimokritos" (Scientific Research Center), Mr Kostas Papathanasopoulos, and asked him if Mr Khr. Markopoulos was indeed for nuclear reactors. The answer was positive, and he added:

"During the years 1977-1979, Mr Markopoulos held congresses to prepare the ground for installing nuclear reactors in Greece. The authorized minister at that time was Mr Milt. Evert."

Mr Markopoulos has a PhD, even though his thesis was rejected by professor of the Polytechnic School, Mr Th. Giannakopoulos, president of "Dimokritos." The present minister went to university professor, Mr Zakanianaris and got his doctorate. Later he went to Professor Mr Th. Skoulikidis and became a lecturer. Today he is not on speaking terms with his benefactor Mr Skoulikidis.

He has resistance credentials, but said no to Vas. Filias and Khr. Rokofyllos when they asked him to join the resistance during the dictatorship.

But Mr Markopoulos has other qualifications and credentials that shoot for ministerial posts. In 1976, the day that the PASOK president dissolved the Central Committee and ousted the members of the Dimokratiki Amyna (Democratic Defense), Mr Markopoulos was the only one who declared in front of the amazed members of the Central Committee:

"I agree with what the president said. PASOK is Andreas Papandreu and whatever he wants must be done."

But even recently, he was the "heroic" deputy who submitted his own memorandum to the committee for the Cyprus File and answered that K. Karamanlis is a traitor and is responsible for Attila 2.

Now everyone says that this daring of his has led him to the ministerial chair. There are a few that claim he became a minister to "work" for nuclear reactors. So be it.

Reshuffle Believed Serving Electoral Purposes
*35210121 Athens KYRIAKATIKI EVLEVTHEROTYPIA
in Greek 26 Jun 88 p 48*

[Text] For one more time, the 14th in the 7 years he has been in power, Prime Minister Andreas Papandreou reshuffled his government. With this new government formation, PASOK will probably get to the next elections. The prime minister described the ministerial council as a "battle team." Perhaps a more correct description would be a preelectoral battle team. One should examine the substance of the latest governmental changes in this light.

If the new reshuffle has certain basic characteristics, they probably are the following:

First, it does not have a political color. Both those who were removed and those who returned do not have a special impression that would allow room for political interpretations. It appears that the dissension between the considered left and the considered center wings of PASOK does not bother Mr Papandreou any longer, who appears to be in absolute control of the internal game. So the reshuffle is politically colorless.

Second, it establishes certain new balances among persons. The most important of these is the undertaking of the Ministry of Education by the son of prime minister, G. Papandreou and the simultaneous assignment of the Olympic Games file to him. Through the substitute minister of culture, Th. Stathis, who belongs in the narrow circle of friends of Giorgos Papandreou, the son of the prime minister will control the areas of athletics and the young generation. In other words, Andreas Papandreou already is placing his son at the starting point of the battle for his succession.

Third, it serves specific preelectoral objectives. D. Maroudas returns stronger in the area of publicity and gains absolute control of the radio/television media. Of course the new substitute minister of the Presidency will apply his formula that is known from the past: a suffocating government control of television, a storm of propaganda, even if it insults the intelligence of the television audience. On the other side, assigning those experienced in electoral matters such as Giannis Skoularikis as a substitute minister of Internal Affairs, and the "concentration leader" of PASOK, K. Koulouris, as underminister, have their self-explanatory meaning. The

election crucial Ministry of Internal Affairs already is being manned by the proper persons to undertake the organization and preparation of the forthcoming elections.

From there on, the latest reshuffle has other interpretations? Personal arrangements, petty party purposes, and the settlement of internal accounts comprised the motivations for departures from or entrances into the government, a preelectoral government. And for this reason revealing the intentions of the prime minister.

For one more time, it appears that Mr Papandreou is choosing the old tried methods for the electoral fight. A storm of propaganda by the government media for publicity and the absolute and narrow control of the ministries that have anything to do with the elections. Mr Maroudas for publicity, Mr Koutsogiorgos for Justice, Mssrs Tzokhatzopoulos, Skoularikis and Koulouris in the organization of the elections, Mr Valyrakis for public order and the secret services. These six persons make up the stars in the preelectoral battle team. What remains is for one to see in what way they will handle the powers given to them for Mr Papandreou with the latest reshuffle.

If the new assignments are indicative, certain dismissals may also be indicative. And perhaps it was not coincidental that certain persons who represented a different mode and a different style of power in the PASOK emerged out of the government. Government representative Giannis Roumbatis was dismissed. He talked a different language than his predecessors. Silva Akrita was dismissed. She could not understand why a playground should occupy areas of a government institution. Vasilis Sarantitis was dismissed. He did not wish to accept that all kinds of abuses were allowed in the name of the party. And of course, while many others were pulled in from the past, the new government cadres do not include Apostolos Lazaris, Kostas Simitis, Lesteris Varyvakis or Vasilis Kedikoglou or certain others who tried to give a mode and style to PASOK power that was different from the existing one. Perhaps Apostolos Kaklamani, also a representative of the "party of the decent ones," has survived. He, however, remains simply the minister of the bureaucracy, since with the reshuffle, his crucial authority over radio/television media was taken away.

And so the scenery is clearing up as we proceed toward the elections. Already Mr Papandreou has made his definite selections. What remains to be seen is where these selections will lead. What remains to be seen is how the "battle team" that the prime minister chose understands the battle.

But something else is under discussion: the next elections will be held within the next months. In March 1990 the new president of the democracy will be elected. One way or the other, out of electoral victories or defeats, Andreas

Papandreu logically will leave the leadership of PASOK, either for the sake of the Presidency of the Democracy or to become a private citizen.

In view of this not too distant prospect, the prime minister already places his son at the starting point of the battle for his succession. And of course, the indubitable loyalty of all the PASOK cadres personally to Andreas Papandreu does not also mean, unquestionably, the benevolent acceptance of parental inheritance. For this reason, it is not at all unlikely that the recent political promotion of G. Papandreu will cause all kinds of intragovernment dissensions and new groupings and degroupings, unforeseen at the present time, but not improbable in the future. An eventual similar development will perhaps make up the other side of the latest reshuffle.

It is not certain that history repeats itself, but one of the main reasons that caused the dissolution of the Center Union was the promotion of Andreas Papandreu by Georgios Papandreu. And today, Andreas Papandreu promotes Giorgos Papandreu in the same manner.

Another Reshuffle Predicted

35210121 Athens KYRIAKATIKI EVLEVHEROTYPIA
in Greek 26 Jun 88 p 10

[Text] The political objective of the reshuffle the day before yesterday is unknown, unexplorable, and relatively mysterious, and will remain so until the next reshuffle. Top government and party officials, even people from the close environment of the prime minister cannot provide a logical interpretation.

The impression that this 14th reshuffle will not be the last one of the second 4 year tenure of PASOK is effusive. And this, not only because no government formation has survived more than 6, on an average, or 9 months at the most, but also because it surely does not look like the "battle formation" as the prime minister described it.

For instance, the selection of Giannis Skoularikis as substitute minister of internal affairs is considered by us to be the most indicative. Neither local self administration, nor the "electoral matters" were specialties of the first non-rightist minister of Public Order. It was agriculture and it became suppression.

PASOK does not hold elections without some specialized official of the Executive Office or the Central Committee in the Ministry of Internal Affairs. Therefore, we must take it for granted that there will be a 15th reshuffle.

It stands to reason that it will happen right after the 2nd Congress of PASOK that has officially been scheduled for the coming fall. The Central Committee, however,

was informed yesterday, that just before his departure for Germany, the prime minister agreed to the proposal of the Executive Office to postpone the Congress for 2 or 3 months.

If we take it for granted that Andreas Papandreu substantially is not against its happening, then the Congress will take place between 15 and 30 January 1989.

There is of course a very strong possibility that the PASOK will not hold any Congress before the forthcoming elections, because while the postponement of the date serves some organizational needs of the movement, at the same time, however, it predisposes another postponement. The voices that are against a Congress are not few anyhow.

But let us assume the Congress will take place, in this case, many members of the Executive Committee and several former ministers who are inactive but with good records will be made ministers.

This kind of a formation, if one adopts the logic of the government, could be described as a "battle formation," not the present one.

The present formation was the result of the pregnancy of an unknown mother.

Up until the Friday before last, 4 days before the new ministers were sworn in, many government and party cadre knew a great deal about the reshuffle. Everything they knew had a very logical reason and some kind of an imprint. Somewhere it was possible for one to see that one or the other name being mentioned in these possibilities came from the recommendations of three people (Alevras, Koutsogiorgas, Livanis) and the Executive Office, who usually influence the prime minister.

Georgios Papandreu was being considered as sure for the Ministry of the Presidency. He even had relative briefing discussions.

The following approach was put on the carpet for the Ministry of Public Order: If A. Drosogiannis must go, then the selection had to be made between Evangelos Giannopoulos and Stathis Giotas, the latter being the favorite, because the former is believed to be 100 percent successful for the Ministry of the Navy.

For th: Ministry of Transportation there was the sure proposal for Vasilis Sarantitis, while Giorgos Petsos would go to the Ministry of Commerce.

However, everything changed suddenly during the intervening weekend.

Giorgos Papandreu was selected for the Ministry of Education, the only selection that was spectacularly legalized from even the first initiatives of the new minister, while the Ministry of Public Order was assigned to a twin that no one could imagine, much less propose.

V. Sarantitis is chosen for the Underministry of Athletics and 2 hours before the announcement of the new government composition, he is informed that he will stay under Mr Petsos. His refusal and subsequent departure from the government is understandable.

The successful, even though outspoken, government representative Giannis Roubatis is trapped into whatever serves to make Dimitris Maroudas a minister, and is compelled to resign.

No information on the reasons for the prime minister's selections. There is no potential for a logical political interpretation.

For us who cover PASOK as reporters, the party mechanism absolutely had no answer. There was complete ignorance, no matter where we asked.

A determination we made, however, is of another class, but must have something to do with what happened concerning or referring to the reshuffle—after the reshuffle, the PASOK party mechanism obviously appears to be more solid, as long as the proportions remain the same of course. But this is a product of a subjective appraisal that remains to be confirmed, independently of the logic of the recent reshuffle.

How did the twin Sekhiotis-Valyrakis come about, however, especially in an extended preelectoral period?

Sifis Valyrakis, with the most painful experiences with the police of Greece and Albania to have a daily association with the police?

The hardcore centrist Tasos Skhiotis, among the bishops of Local Self Administration, without absolutely any experience (perhaps for this reason?) in the Ministry of Public Order?

Another hardcore centrist, Giorgos Petsos, in the Ministry of Transport, minus the Olympic air fleet, that comes under the authority of the successful, but nevertheless conservative technocrat Nikos Skoulas?

What do these selections hide? Bait for the indecisive ones? Nothing? Or something that we mere mortals cannot fathom?

This story of the Ministry of Public Order perhaps covers the other end of the string, unknown at the present time, but surely descriptive of the selections of the prime minister that will be judged until the next, the 15th, reshuffle.

Reshuffle Results Viewed as Indifferent
35210121 Athens TO VIMA in Greek 26 Jun 88 pp 5-6

[Article by Petros Efthymiou: "Reshuffle for No Reason"]

[Text] Despite the unavoidable impressive publications, despite the exaggerated statements of the opposition, this reshuffle finally did not become "the" event, at least if we suppose that the prime minister wanted to give a similar look to his activities.

The reshuffle passed with a "check," if this expression is permissible, in the more or less "closed" card game of Mr A. Papandreu. Because it became known by all that the reshuffle neither involves a political change, nor is expected to inspire a new breath, nor bring about the removal of contrasts, as its result.

And because, except for making Mr Giorgos Papandreu a minister, no other side of the matter had any special interest, it is worthwhile to examine, not the "plan" that explains the "profile" of the reshuffle, but the inability of Mr A. Papandreu to give his plan a specific character, serving even an unimportant specific purpose.

As an example, the government, as it is, is not an electoral one. It does not have the prestige and the grace to inspire, not society, but not even the narrow party forces of PASOK. It is a "tired" government, made up of people who gradually, with the passage of time, in their majority, lost the imprint of a personal distinction or the willingness and daring to try something new in any mission they are sent every time the correlation of objectives decides on their use.

The government is an electoral one in only one sense: it is ready as none other for abolitions, replacements, substitutions or even its total sacrifice, therefore facilitating any sudden steering.

This government is not also that staff that, even at the last moment, would process an orderly course of some "change." The known internal contrasts, old and new, and the lack of every productive operative environment, again will not allow this government to succeed, where all the rest have failed. That is to say in a fundamental effectiveness in solving the daily problems of governing, in the transportation systems and the quality of life, up to the public administration, the modernization of the economy etc.

This government is enjoined, simply and only, to repeat itself as the administrative class of routine daily matters.

And yet, up until a few months ago, the steering capabilities of Mr A. Papandreu seemed to be much greater than the recent weak result. Before the spring strike wave began, the prime minister had again proven to be the master of the game, as representative of the only power

and as the only person who could deal from deck of political developments. And, in any case, this leadership neither is confirmed nor is it renewed with the latest reshuffle.

And so perhaps we find ourselves in front of an intentional recess that mainly is directed to top level balances with the simple changes of people in some ministries.

And so the potential scenarios of the developments after the politically indifferent reshuffle are three.

First scenario, the "premature" fall elections with dramatic scenery, so that the people will wonder what is being risked totally in the elections and not with whom it will go to the polls. In this scenario, the present government is not a participant because of indifference.

Second scenario, that from "informed" circles of PASOK, a small "corrective" reshuffle appears to be the most likely case, perhaps in September and a wide "decisive" one after January, gathering all the party and "friendly" forces into a government of maximum acceptance that will lead to the elections.

The third scenario, weak in sources of information, but strong as far as Mr Papandreu's concept of playing politics is concerned, is that the next elections will take place after Mr Papandreu first "changes the field." In other words, it is deemed that the prime minister has reserves of maneuverings that not only include his party, but a rearrangement of the more general political balances, at least as they have been stabilized in an opposition accord, gradually from 1985 to the present.

Indeed, it is claimed that the facilities provided, e.g. the restructure of the electoral law, will relieve PASOK from both sides, right and left. Indeed, this pursuit of changing the scenery is combined, not only with immediate electoral benefits, but also with the prospect of the Presidency of the Democracy, something that the appraisals do not consider foreign in the scenarios for developments that occupy the attention of the prime minister.

Despite all these, one question begins to come up behind the discussion of the scenarios. Do these scenarios have a following beyond the leadership groups of the parties and those who devote their lives solely to politics? Or does a reservation and a mistrust of politics involving spectacular moves steadily spread in the public opinion and is any ground being gained by the demand for effective handling of administrative matters, small or large, daily or long term?

If it is true that public opinion has changed its criteria, then 14 years of political change and 7 years of governing by PASOK later, all the plans, and not only of PASOK, have developed on a wrong basis. The rabbit may come out of the hat flawlessly, but the number that caused a storm of applause may be the reason that the show will fail.

Well then it is not simply new characters that will be needed, but a new play.

9346/12232

PASOK Seen Maintaining More Leftist Image
35210120a Athens *EMBISTEVTIKO GRAMMA* in Greek
22 Jun 88 p 4

[Text] The composition of invited delegates to the conference on "The Left in the Year 2000," which was organized by the periodical SOCIALIST THEORY AND PRACTICE, a publication of PASOK's propaganda section, shows that the "Movement" of A. Papandreu wants to preserve an ideological identity which is farther to the Left than its governmental practices.

So, at the conference, in addition to the multitude of delegates from the Eastern European countries, the invited Western socialists belonged to the leftist wings of their parties and carried no special weight.

It is also interesting to note that in the conference, which must have cost more than 30 million drachmas, not a single major personality of the Western European socialist and social democratic parties participated, a fact which shows that PASOK remains isolated from the leading forces of Socialist International.

The reason for this is that PASOK's positions on terrorism and its relations with totalitarian regimes of Eastern Europe and the Third World cause grave reservations in the leading circles of Socialist International. In both cases, Papandreu's Movement has taken positions which are closer to those expressed by the USSR and certain Western communist parties, a fact which Socialist International has not ignored.

It is clear, then, that PASOK maintains its ideological alliances with the country's communist forces, but as a government it tries to simultaneously convince some bourgeois people that they can safely work with it again.

7520/9274

**PASOK Preference Among Various Classes
Regarded as Vicious Circle**
35210120c Athens *EMBISTEVTIKO GRAMMA* in Greek
22 Jun 88 p 9

[Text] One of the main features of the 1985 general election was the nearly total support given New Democracy by the upper economic strata. According to MRB polls (EPIKENTRA, June 1985) the upper economic classes voted 65.3 percent for ND and only 19.9 for PASOK, compared to 43.7 and 27.8, respectively, in the 1984 Euroelection.

Naturally the class which supported ND was also fanatically confident that ND was able to win the 1985 election.

In reality, as we know from the polls, such an outcome in that period was impossible. PASOK was constantly four points ahead throughout the pre-election period, while it had, in addition, a reserve of leftist voters who hopefully (as it actually happened) would add at the critical moment another 2 percent "to prevent the Right from coming back to power." It faced a New Democracy Party, which only months earlier had abandoned its ineffective election profile of the "tough" Right of the 1981-1984 period.

The unwarranted confidence was smashed in the 1985 general election, leading a great many people to a condition of "passive despair" (note the Eleni Vlachos article of consolidation about voters of the Center-Right who are "the best Greeks").

This feeling of despair spread among businessmen, journalists, intellectuals, professionals, etc., and helped PASOK put into effect its post-election strategy aimed at an effort to break up ND and infiltrate the upper socio-economic strata, using the power mechanisms at its disposal.

At the same time, many businessmen who had given their support to ND in 1985 began to fear that if they were cut off from the power center they would be unable to take advantage of the money making opportunities assured by the new economic policy PASOK was forced to apply in 1985. So initially a business nucleus emerged, which out of conviction or in order to justify its shifting views, began to use the argument that "nothing will remove PASOK from power."

Journalists Follow Businessmen

Businessmen were not alone. Especially after the municipal election, many journalists were added to the traditionally very strong Center-Left press—journalists who were under the influence of anti-Mitsotakis personalities within ND—centered, of course, around journalists associated with [Mayor] M. Evert's radio station Athens 9.84. The view of many of these personalities that a possible ND victory would have disastrous effects on their political career and Koskotas' penetration into ND newspapers facilitated the spreading of those views.

A Vicious Circle

All these businessmen, politicians and journalists who stated they did not support PASOK but also appeared convinced this party would win the next election led in a vicious circle—politicians (usually speaking privately), journalists with their writings and comments, businessmen reading and carrying forward those views and all together recycling and spreading these views.

The Situation Does Not Change

The spread, mainly within the upper socio-economic classes in Athens, of the belief that "PASOK would not fall," does not prevent ND from being way ahead of PASOK in all serious polls. ND is winning one battle after another in all social sectors (even in some which were until recently totally hostile, such as the universities). In most contests ND wins with bigger margins than initially expected.

The unpleasant situation for PASOK does not change, nor does it add votes to PASOK, but it does have some other consequences:

—It makes it more difficult for ND to finance its political activities (this explains its recent fund-raising campaign).

—It facilitates infiltration of PASOK into the Center-Right newspapers and in general provides an alibi for those who do not have strong convictions.

—It prevents ND from generating a victorious climate among the upper socio-economic classes and facilitates the lack of worry among certain PASOK cadres.

To Break the Vicious Circle

The next election is bound to be a watershed. Today's facts, which will not change in the remaining few months, will disorganize certain power centers which today have a strong presence in Greek political and economic life. It is rather natural that these developments will come suddenly and surprise many of those who act today without knowing the deeper changes taking place within Greek public opinion—either because they lack information or because they see matters superficially.

7520/9274

Establishment of Broad Leftist Front Seen Far Off 35210120h Athens KYRIAKATIKI ELEVATHEROTYPIA in Greek 19 Jun 88 p 9

[Article by Potis Paraskevopoulos]

[Text] The parties of the Greek Left, both traditional and innovating, seek formation of a greater Left. KKE seeks this unification through a coalition of all political forces of the Left. The Greek Left Party [EAR] sees unity in a Greek perestroika throughout the Greek leftist area, while other smaller leftist forces limit cooperation to an electoral alliance of the Left.

These are ambitious prospects which, however, simply confirm the agonizing effort of the Greek Left to overcome its long-lasting crisis. Aside from EAR, which has been trying for the past year to promote a different Left

going beyond the communist parties and those of Social Democracy, the other Left parties are going back to the idea of creating a greater Left camp and to tactics and policies which the Greek leftist movement employed in the past.

The coalition of leftist forces proposed by KKE is not feasible. Whatever goodwill may be shown, the parties and groups of the Left will not form a political coalition. The reasons come from within.

All the basic political forces of the Left, which should be components of the coalition, were born in the breakup of the Communist Party in 1968. Only PASOK—which is excluded from this coalition—had its own beginning and its autonomous course. All other parties of the Left have KKE as the parent party. Restoration of unity cannot be achieved through welding in the form of a coalition. In this case the adage that "what cannot be united can be federated" does not apply.

All these parties of the Left can agree on a common platform of political cooperation, but only as a means of defend themselves against the leftist expansionism of PASOK. However, such cooperation cannot serve the aggressive prospects of a Greater Left.

An artificial welding in the form of a coalition of a fragmented KKE since 1968 does not have much of a chance. It is possible that it could increase the number of their seats in the Chamber of Deputies more than what each party running separately could achieve, but this would not even come close to the dream of a Greater Left. It would only be a repeat performance of the United Left of 1974.

KKE Secretary General Kharilaos Florakis stated the other day that his party is determined to go ahead with the coalition only with those who agree to cooperation. This means that the coalition will be limited to KKE and to certain political forces coming from PASOK. KKE is abandoning the prospect of a Greater Left and ambitions are now limited to improving the electoral outcome. Even Florakis admitted as much when he warned that in the event PASOK or the New Democracy Party win a clear majority of seats in the Chamber of Deputies "the forces of the Left, which did not respond positively in time and decisively to the demands of our time for a coalition, will be doomed."

The political prospects of the coalition or alliance "with those who agree to cooperate" does not go beyond minor numerical considerations regarding the national election. KKE will be the mainstay of this coalition. Following the correct principle that there must be unanimity within the coalition, the joint political platform cannot be in conflict with KKE's basic political options.

Florakis stated very clearly those options the other day in his speech to industrial workers. They are: a course outside the EEC framework and rejection of "reformism

which considers the fight for reforms a panacea which will take us little by little to socialism, without even knowing it—in other words, never."

The coalition's joint political platform cannot conflict with these views of the Communist Party. They may not embrace them; they may keep silent about them, but they cannot reject them as a coalition which aims at leading our country to socialism. This is because to do otherwise, KKE would have to reject its own basic political options. Consequently, either the other political forces will accept KKE's basic political views or the coalition will abandon the objective of socialist change and limit itself to a defensive electoral cooperation. In other words, a repeat of the electoral concept of KKE and cooperating forces.

In this way the coalition ends up in effect being what other forces of the Left have proposed—namely, an electoral cooperation of forces of the Left. In fact, this is what KKE initially suggested before changing it into a coalition or alliance. It did so because as a mere electoral cooperation it could not serve the objective of creating the Greater Left.

What is left now is to evaluate the proposal made by EAR in the context of the Greater Left. EAR's proposal for creating a Greater Left appears to be free of temporary electoral calculations. EAR agrees with KKE that the Left coalition must aim at the socialist change of Greek society. But it disagrees with KKE's thinking of how many more seats in the Chamber of Deputies the coalition could win. EAR views the chances of a coalition to lead to a Greater Left in connection with renewal of the program and of the strategy of forces of the Left. In other words, it requires of KKE to abandon its basic political choices as defined 2 days ago by Florakis and to come closer to the views of EAR.

It is evident that EAR's proposal for a Greater Left, for a leftist coalition aiming at becoming the government, goes beyond the traditional Communist Left and immediate electoral concerns. This is also the reason EAR includes PASOK in political forces of the Left, but it meets KKE's refusal to abandon its constant political views and PASOK's refusal to give up its strategy of self-sufficiency in parliamentary seats.

By necessity EAR will walk alone between the millstones of KKE's coalition and PASOK's strategy of self-sufficiency. The prospect of a Greater Left will have to wait for a long time because it was given up several years ago.

7520/9274

Reasons for Press Opposition to Rapprochement With Turkey

35210120d Athens *EMBISTEVTIKO GRAMMA* in Greek
22 Jun 88 p 11

[Text] In Greece, Turkey, and also internationally, the very harsh position taken by the Greek press toward Ozal during his visit to Athens caused a sensation. Even

Papandreu himself was visibly displeased by this standard of the press, which made Ozal's visit an unfortunate propaganda "accident" for the PASOK government.

One can find several causes for this accident: the ongoing "battle of the publishers"; the negative view the public has of Davos; and the frustration of expectations promoted by the government itself are among them. However, there is a less obvious cause which has great significance: the total absence of a moral dimension to Papandreu's new Greek-Turkish policy—a fact which is being constantly advertised by the government itself.

More specifically, the idea that out of Davos Papandreu will gain enough mileage to "cover up" his failures in his domestic policies is being systematically promoted with government approval by pro-PASOK newspapers.

This presentation of such an immoral approach to our national issues may be done by a government which evidently does not realize how bad a picture it presents to the public.

But it cannot be done by the newspapers which stay closer to reality by going through their circulation reports daily. This explains the strong reaction by the press to an unpopular policy which on top of everything else is being advertised by its sponsors as being immoral.

7520/9274

PORUGAL

Treatment of Dissension Within PCP Analyzed

Cunhal Responsibility Dismissed
35420109 Lisbon EXPRESSO in Portuguese
2 Jul 88 p 3

[Commentary by Jose Antonio Saraiva]

[Text] The emergence of a new group in the PCP called the "Third Way" seems to have been arranged with Alvaro Cunhal in much the same way as the creation of the "liberal wing" had been previously negotiated with Marcelo Caetano.

Why?

Because the new group gave Cunhal and the party leadership the opportunity to get on board the reform train without losing face and to avoid a premature entry into the wax museum.

After the "group of six" document was made public and the Zita Seabra case, the situation in the Communist Party had reached an impasse.

The leadership was encamped in entrenched positions from which it already could not gracefully come out.

The "dissenters'" proposals had become so radical that, in the short term, the only way out was for them to leave the party.

With the emergence of the "Third Way," it seemed that everything could be arranged once again.

Emerging as an autonomous movement, in regard to both the leadership and the dissenters, the new group seemed capable of making a contribution to the recovery of internal unity without any side having to give up a great deal.

Cunhal could very well appear in public and make a distinction between this group's "responsible" attitude and the positions taken by the "Group of Six" while placing himself again in a good position to arbitrate the internal debate.

As a result the "six" would lose their reasons for radicalizing their proposals, while on the other hand seeing themselves forced to give up the leadership of the reform process to others.

For all these reasons, the public ushering in of the "Third Way" seems to have been arranged or at least agreed upon with the secretary general of the PCP.

Subsequent events would, however, prove the contrary.

By accusing the new group of the same thing they had accused the Vital Moreira group—saying it was divisive—Alvaro Cunhal and the party leadership proved they are ready to take the battle in defense of orthodoxy to the bitter end, even if they should remain completely alone.

By refusing the life jacket the "Third Way" threw to them (that would have allowed for an honorable way out), the PCP's top leaders refused to take advantage of what may have been the last opportunity to avoid a large scale confrontation and preserve unity.

In fact, there were many militants who saw the problem in this light and came to the belief that the hour of change had finally come. It is curious that hours before the leadership's official communique on the "Third Way" was made public, Mario Castrim, who for years was one of the most intolerant guardians of the temple, acknowledged the need for improvements in the PCP's image when he defended that it should be represented on TV in greater numbers by "young, intelligent and communicative faces" since "comrades who are highly placed politically and devoted to the party may not be doing it any good when they appear on television."

PCP Secrecy Seen Disappearing
35420109 Lisbon DIARIO DE NOTICIAS
in Portuguese 30 Jun 88 pp 2, 4

[Article by Simoes Ilharco]

[Text] Whoever wins at the PCP congress in December, nothing will remain the same. Perestroyka and 19 July were two "earthquakes" that shook the communist bulwark. In the Portugal of the 1980's, the glass walls are different.... Conciliation between the PCP and the reformers appears to be impossible. Everything will be played out in September, more so before than during the congress. Cunhal was the arbiter. He is no longer. Although he is a consensus-seeking secretary general, he has sided with the hardliners in the Central Committee. The "Third Way" emerged to avoid a hardening of the discussion and a tensing of positions. It is being accused of presenting "divisive initiatives." All of this is to be taken up at PCP headquarters. However, the winds of history are proclaiming: The neo-Stalinist era is over in the Portuguese Communist Party.

Irony of ironies, there is nothing secret in the PCP now... The party that was unanimously considered to be the most monolithic of all Portuguese political parties. The taboo on the free flow of ideas that had not been statutorily foreseen has already been broken. To unravel the communists' secrets, to penetrate the apparatus, were real coups. Now, times have changed, inclinations have changed and the Portuguese Communist Party has an abundance of sources of information that can only be compared with the old "war of the barons" in the PSD. The Coimbra congress will take place after the expiration of the four year term between communist conclaves called for in the party statutes. After 19 July postponement became obvious.

The first among the reformers is, without a doubt, Jose Luis Judas who was removed from the leadership of the CGTP. Perhaps we owe him the first sign of dissension. Next came the "six," followed by Zita Seabra, super star, and finally the "Third Way." New dissenting currents could emerge right up until the congress. Curiously, however, a convergence of those tendencies is not a moot point for the reformers. The greater the diversity of positions, the greater the probability the militants will identify with one of them. Taking the question to its extreme, the ideal would be to slow down the selection. The PCP conflict has been equated with and viewed from the perspective of a confrontation between the "histories," the so-called hardliners in the Central Committee, and those who defend internal party reform and democratization. This is the rationale that is made when speaking of the PCP's internal crisis. Nevertheless, such a diagnosis of the crisis errs on the side of being overly simplistic and it does not in any way reflect the antagonisms spreading in Alvaro Cunhal's party.

A False Problem

For an observer of political affairs or for someone who merely learns about them through the mass media, there is the sensation (we would even say the idea) that PCP "histories" are the ones the "six," Zita Seabra, or the "Third Way" are trying to bring down. Absolutely false. The reformers are not dissenting against the old PCP leaders. The latter dedicated their entire lives to the party... They were and continue to be profoundly convinced militants. The late Francisco Miguel was highly respected in the party.

Jose Vitoriano is another extremely consensual militant. Alda Nogueira, ditto, ditto. The bone of contention lies with the "neo-Stalinists" within the apparatus. The reformers cannot forgive them the fact that they only came into the party after 25 April.

It is precisely in these men, Jose Soeiro and others, that Alvaro Cunhal is betting on to achieve his much publicized reform of the Portuguese Communist Party leadership. This is, in the end, to maintain his political line. And why maintain it? For the simple reason of coherence with his past. In reality, for many, it is completely overtaken, completely out of line with Portuguese and international reality. As we said earlier, the glass walls are different as we approach the 90's... The only thing is that Alvaro Cunhal does not reject his past. He is an intelligent man who is full of conviction. His succession may be the greatest drama of the PCP. We are getting there...

Leadership Versus "Third Way"

The communist feud once again jumped to the first pages of the newspapers. The "Third Way" paper began a new cycle in the controversy. Highly critical of the PCP leadership, those who signed it (more than 100 so far) say that "it is not a matter of being in more or less of a hurry to give meaning to perestroyka, which happens to be the most important revolutionary event in the world since the great events of October 1917 and the defeat of Nazi-fascism. This is precisely, say the paper's authors, a "criticism of the coolness with which the party leadership has followed the evolution of perestroyka. Thus creating the idea that it is acting with "mental reservation" toward the "openness policy" in mass media and Soviet society as well as the debureaucratization and democratization of political and economic life in the USSR as it goes back to Leninist origins and legacy in the state, the party, and in all social life as it abandons the deviations, perversions, methods and even the socialist model that remained associated with Stalin's name (sic...)".

Obviously, perestroyka was the first "earthquake." But there was also 19 June, the second "earthquake." "One year after the 19 June elections, a careful examination of the causes behind our electoral failure, the reasons for the PSD win, the reasons for one more failure in our

electoral forecasts, as well as an examination of the new characteristics in political, institutional, union, and unitary activity resulting from our defeat have yet to be done."

The reaction from the PCP's Secretariat of the Central Committee was not late in coming. The expression used to condemn the "Third Way" was: These are "typically divisive initiatives." Positions became more extreme. In the summer, the ire died down. After, after everything will be played out in the Portuguese Communist Party. There is one certainty: No one wants to leave the party. Obviously not the "historics," nor the "neo-Stalinists, nor the reformers. Among all of these differences, there is a trace of unity. There will certainly not be any ML's.

Cunhal's Successor May Be a Reformer

Cunhal's succession is undoubtedly the PCP's greatest drama. The majority of militants does not see any alternative to the communists' secretary general. At times, a name is placed on the launch pad... Jose Casanova, for example. His interview in EXPRESSO clouded his chances, however. At communist party headquarters on Soeiro Pereira Gomes, the strongest candidate right now is Angelo Veloso...

This name represents the continuity of the Alvaro Cunhal line. The only thing is, so say those who know the party extremely well, the Cunhal line will end with Cunhal... And the reformers, even if they are beaten at the Coimbra congress, will then be able to poise themselves for the leadership of the PCP with greater ease.

However, much water will pass under the bridge, as the poet says, and until Cunhal's succession, the PCP will continue to be the same PCP. The Secretariat of the Central Committee is already putting forth the proposal to the Portuguese people of an "advanced democracy on the threshold of the 21st century: political democracy, economic democracy, cultural democracy, social democracy. A democracy whose great goal is freedom, a democratic, representative (based on popular participation) modern and efficient state; economic development based on a mixed economy; a social and cultural policy that assures an improvement in the people's lives; an independent and sovereign nation that has a policy of peace and cooperation."

What PCP for the 21st century? That is an excellent question. For now the AVANTE festival in September...

Reformers Gaining Support
35420109 Lisbon EXPRESSO in Portuguese
2 Jul 88 p 24

[Text] The so-called "Third Way's" document, which has continued to circulate within the PCP, is gaining adherents in the labor bastions where the PCP has traditionally enjoyed support. In Marina Grande and in Vieira de Leiria, more than 20 people have signed the

document. In addition to Osvaldo Castro, the current president of the county's Municipal Assembly, Joaquim Carreira, long-time militant and glass industry worker who was a PCP official in the underground and the last political prisoner to be tried prior to 25 April, also signed this document. Rodrigo Henriques (who at one time was a member of the PCP's central committee and who for years was responsible for the communist organization of the city) and Armando Constancio, city councilor, did the same. Among the 20 who signed the document, there are also members of the Workers Committees and labor leaders from the glass and metal industries.

The proposal has struck a response among mass media professionals and it has been signed by Baptista Bastos, Carlos Pinto Santos, Jorge Peixoto (labor leader) and Joao Paulo Velez, editor of the DIARIO DO ALENTEJO, as well as others. Teachers and university professors such as Guilherme Arroz, Antonio Mendonca, or Joao Fernandes say that the movement has been gaining adherents in universities as well as among FCP lawyers and data processing professionals. Pereira da Costa, president of the Portuguese Data Processing Association is another one who signed.

EXPRESSO also learned that the document has been discussed among communists in the organization and leadership of the Intersindical and the cooperative sector. It is also being circulated among the PCP's parliamentary group. It is not yet known if it will have public support from persons from these areas.

In Lisbon, various people who signed the document feel it is very possible that the signatures will exceed 100. Taken nationally, this means that 200 communists have signed an initiative that the Secretariat of the PCP's Central Committee described on 28 June as being "typically divisive."

The note from the PCP's Central Committee Secretariat denounces "the secret creation of a group outside party organizations" and the "more than evident, unmistakable, and irrefutable signs of an organized divisive action." On the other hand, however, it admits that "some of the document's signatories did not have the intention of being a part of it" and that "many" of its "opinions and proposals" may "be valid."

"Harsh Words, Soft Measures"

"The Secretariat's note is as harsh in its wording as it is soft in its measures," commented a source close to the Central Committee that insisted on remaining anonymous. Actually, this view may explain the reason why the note does not come from the Politbureau which had met on the 27th to analyze the party situation. The Secretariat reportedly reached a difficult consensus between the "hardliners" who consider "that all of this is occurring because things were allowed to go too far" and historic leaders who, although they criticized the methods followed by those who have signed the document,

refuse to "use administrative measures," according to the same source. Thus, the note's main objective was reportedly to limit as much as possible the number of supporters the document is garnering.

Meanwhile, a new document from the "group of six" was made public. This paper proposes the approval of changes to the statutes during the PCP's December congress. The most relevant novelties contained in this text are the direct election by the congress of not only the Central Committee, but of the secretary general as well. In addition it suggests that a "new higher party institution" be created. This leadership body would be for the PCP's historic leaders "who are not reelected" and it "would basically have consultative functions."

09935

TURKEY

Commentary Defends Military's Approach to Cyprus Problem

35540165b Istanbul TERCUMAN in Turkish
19 Jun 88 p 12

[Article by M. Ali Kisalci in column "From Ankara": "Cyprus From a Military Perspective"]

[Text] Our allies, politicians and the armed forces view the military situation in Cyprus from widely different perspectives.

According to the General Staff, no reduction can be effected in the present military and arms situation in the TRNC [Turkish Republic of Northern Cyprus] because the number of weapons and military personnel in place was carefully calculated on the basis of the topography and of the current number of arms and troops and the potential number of conscripts in the Greek Cypriot state south of TRNC. A certain percentage of "deterrent force" was also added to this reckoning.

Those of our allies who exhibit great and close interest in the subject of Cyprus and those who closely follow the developments on the island offer a different viewpoint. They say, "The Turkish Armed Forces [TAF] always maintain an extremely conservative position. They act like this, not only in Cyprus, but also, for example, in regard to the Soviet threat. They always demonstrate the need for manpower and weapons in excess of what is actually necessary. Until 2 or 3 years ago, the TAF stationed about 20,000 troops in TRNC. The number of tanks was about 200. For some reason, both the number of troops and the number of tanks suddenly exhibited a great buildup between 1984 and 1986. The number of troops rose to 29,000, while the number of tanks reached approximately 300. Moreover, at this time, the M-48 tanks were updated. The size of the artillery on these tanks was enlarged, and the tanks increased their effectiveness. Instead of cutting their number, as was necessary, the total was increased. Turkey is very close to the

island. In response to a minimal increase in the Greek military concentration, the TAF could, with ease, send in great numbers of reinforcements."

Many responses can be made to these views.

It is widely known that the Greek government in South Cyprus has, during the past year, acquired advanced weapons and an effective air defense with modern MX tanks as well as armored military vehicles. Moreover, it is not at all difficult to predict how large a reserve force the Greek population of close to half a million could put in the field at one time. Under these circumstances, why should the Turkish General Staff, by withdrawing its forces, embolden the Greeks and get rid of the deterrent forces that have been established? Why expose the troops in the TRNC to risk? What for? In particular, why should all these things be done without any reciprocity?

Those who have been closely following events involving Cyprus since 1974 know why. The TAF, on several occasions, in order to be of assistance in the resolution of the problem, have withdrawn troops from TRNC. They have removed weapons. What happened as a result? What good did it do?

Currently, certain allies want to meddle excessively in the affairs of the General Staff. They are calling for a general accounting. When the General Chief of Staff states, "The South has increased the number of its tanks. It has increased the number of its arms. It has increased the numbers of its troops," members of these circles immediately respond, "They bought 8 MX tanks, but you added 100. We made inquiry when the number of troops increased. You told us, 'The total number is not greater; we are merely replacing those who have completed their tour of duty.' Yet, a portion of those whom you sent at a later date remained there. Now, when it appears that the Cyprus problem is nearing a solution, because the General Staff realizes that it will no longer be able to proceed with an additional buildup of forces in the TRNC, it seems reluctant to withdraw its existing forces."

We must not find strange what the General Staff will do with anyone or that it has no intention of debating its actions. Even if the nations involved are our close and great allies, is it not necessary for the TAF to refuse to discuss with them its calculated provisions for national defense?

There is no doubt that the point of view of the Turkish military has been adopted by the Turkish diplomats who, technically, conduct the Cyprus negotiations. But that is not the whole of the issue. Politicians stand at the center of the affair. There are those who would say, "My dear sir, what difference will it make if, as a gesture to relieve the tension, we withdraw a few thousand troops?" The reply to these people is obvious: "Several times previously, with this thought in mind, our troops were withdrawn; do you truly believe the situation

became less tense? Do you really know the position of our opponents? Have you tested their sincerity? Have any gestures of good will originated with them?"

No doubt, the soundest decision is the one that has been taken by the National Security Council.

12575/6091

Civilian-Military Clash Seen as Seminal to Democracy

35540165a Istanbul CUMHURIYET in Turkish
20 Jun 88 p 10

[Article by Mehmed Kemal in column "Politics and Its Aftermath": "A Civilian Government With Democracy"]

[Text] The popular topics of the day are obvious: Who will be the president and how will local elections be carried out—both the local elections and the national party conventions. With us, regardless of the topic that is taken up, the military springs to mind. When the military moves to the foreground, a coup d'état cannot be far behind, because, ever since we adopted democracy, once every decade a civilian politician hands over in the barracks the power that he won in the streets. Why should it happen like this? The civilian politician is unable to use the power that he has won for the people. A civilian government means elections. It does not mean the military commander and the hierarchical chain of authority. Once a person obtains power through elections, he becomes unwilling ever again to hold elections. To come into power by the vote and to lose power by the vote is a condition of democracy. But, as we have said, the one who comes into office by elections never again wants to hold elections.

We possess nearly a century of experience with democracy. We have accepted governments created through elections. But, after taking power, we never again relinquish it through elections. What happens if a politician is voted into power and does not want to lose power in the elections? He is forced out! That is why every 10 years one of those groups who comes to power is forcefully overthrown by the military because they do not want to hold elections. The military finds, in its own view, justification for taking over the civilian government. The justification is this: "Democracy is not working." When democracy does not work, the military steps in and oversees, as it sees fit, the direction of democracy. Before democracy arrives, a dictatorship comes. Then we wait for democracy.

In the meantime, the Constitution vanishes, the Grand National Assembly is locked up, political parties are closed, and unions and societies are abolished. What remains are organizations that, in its eyes, are of some use.

One of our politicians jokes about the frequent closing, at times like these, of political parties: "The political parties are closed, but the doors to the Anatolian Club remain open."

We could also include here the Turk-Is labor union.

Did not Evren Pasha, in a recent speech he gave at Trabzon, call attention to how the military came to power? Politicians were irritated that he disclosed this truth. This was our most recent coup d'état. It does not mean that it was the last one. The one that takes over will, however, not be Evren Pasha; it will be some other general. At any rate, with every military takeover, whenever it occurs, a different type appears, and each one is unique. If we glanced backwards and surveyed the past—27 May, 12 March, and 12 September—would we not see that each of the takeovers was entirely different? That of 12 September was an outside package deal, carefully introduced onto the domestic scene. One day, if it is possible to get to the bottom of what did or did not happen, I believe the indictment will be the book written by Erbil Tusalp entitled "The Emperor of 12 September." The book, which has been put out by Bilgi Publishers, has, like a film projector, flooded the event with light.

Every takeover has its own peculiar dread. Although the 12 September takeover began in an orderly manner, fear arose within it. Despite the fact that its security was assured by "orders" within a chain of command, a certain fear developed. I would like to present two instances:

The first example took place at headquarters, where the TRT General Director of that period had been interned by troops. Toward morning, when there was no longer anyone anywhere who was in opposition, the generals embraced each other with pride, because not one military-civilian clash had taken place, and the coup d'état had achieved its objective. There were numerous "liberated regions" of which it had been aware; the potential they possessed for resistance did not materialize. Thus, the fear was at an end.

The second example existed in the South and the Southeast. When the military government gained dominance over the region, all arms, registered or no, were collected. No weapons were left in the hands of the populace. While the arms were being collected those citizens who, as a group, did not hand over their arms commonly suffered beatings. What is this but a sign of fear? Curiously enough, after all these years, arms are now being distributed to our fellow citizens in the East.

In light of the private dispute and quarrel that has been going on between Evren and Ozal over who will come to reside in Cankaya Palace, is the quarrel this time between the civilian power and the armed forces, or is it between the military and the military? Who brought Ozal to power?

When will we become a civilian state? Civilian government will come at the same time democracy does.

12575/6091

DENMARK

Coming Agreement With UK on Reinforcements Outlined

36130078a Copenhagen BERLINGSKE TIDENDE
in Danish 3 Jul 88 p 9

[Article by Nils Eric Boesgaard]

[Text] More British combat troops will come to Denmark in the event of war. In return, the Danish military will assume a number of supply duties for the foreign reinforcements, according to the Defense Ministry.

Agreements concerning British reinforcements for Denmark in the event of a crisis or war are almost in place once again after a period of concern that the British government would withhold the 13,000-man United Kingdom Mobile Force [UKMF] or use it to reinforce the army in the Rhine region.

Now, after negotiations with NATO headquarters, the British have agreed that this force will be utilized in Denmark or Schleswig-Holstein and, following bilateral talks between the Defense Ministries of Denmark and Great Britain, there is now a draft revision of the agreement on reinforcements. Undersecretary Michael Christiansen told BERLINGSKE TIDENDE.

It came as a shock in the fall of 1986 when the British informed the Danish government that cuts in the British defense budget could mean that the British reinforcement unit would be scrapped. This force plays an important role in the defense of Zealand and other areas.

The reason why austerity measures were to come down so hard on the UKMF was that, relatively speaking, it was too expensive in relationship to its military value, mainly because it included supply units that were far too large. But there is not doubt that the British were also dissatisfied with Denmark's NATO policy and that they were unwilling to jeopardize the lives of British soldiers to help Denmark if that country were unwilling to protect itself. This was stated unequivocally by Prime Minister Margaret Thatcher before Denmark's NATO elections in May.

NATO forces to be sent to Denmark in the event of a crisis or war include five squadrons of American and two squadrons of British planes, a total of about 100-150 fighter planes, that would operate from several different air bases on Jutland.

In addition to the 13,000 men of the UKMF, the army forces consist of a British-Netherlands marine unit that could be sent to Denmark or Norway and an American marine force of about 40,000 men. In addition, an

American army division of about 20,000 men could be transferred to the northern flank of NATO within 30 days. Of these reinforcements, the UKMF is by far the most important because of its proximity. It can be transferred to Denmark within just a few days.

The new British-Danish plans for the UKMF include a number of support-structure agreements, according to which Denmark will provide more support troops, including transport and engineering units, for use by the British reinforcements which, in return, will include more actual combat troops.

"We believe that the agreement will be complete in just a few months," Michael Christiansen said. The entire problem was the subject of a parliamentary resolution in the fall of 1987. This resolution states that significant changes in the agreements on reinforcements will be presented to the Foreign Policy Commission. As a result, we will not be able to sign a final agreement on increased logistical support to the British until early this fall. "In general, it is my impression that there is a high degree of agreement between the Danes and the British on these agreements," Christiansen added.

09336

Changes Announced for Conscription Training Program

36130078b Copenhagen BERLINGSKE TIDENDE
in Danish 15 Jul 88 p 5

[Article by Nils Eric Boesgaard: "Recruit Shock Will Be Made Less Severe"]

[Text] New and more goal-oriented training of recruits will create better understanding of the functions of the individual units and will make the dramatic change in surroundings from the civilian to the military easier.

Training of army recruits will be made more interesting and more immediately comprehensible. The first test of the new training system will begin on 18 July when about 850 young men report to the North Jutland Artillery Regiment in Skive to begin their military training.

"After talking with spokesmen for previous groups of recruits, we know that what is usually called recruit shock, the dramatic change in surroundings from civilian to military life, is felt with great intensity by the recruits," said Colonel Finn Jessen, chief of the North Jutland Artillery Regiment.

More Varied Training

"We want to make the transition to the military system easier and see to it that the recruits receive more varied training, so that they will come to understand the future tasks of their units sooner."

Discipline Maintained

"They will go out into the field with their units at an earlier stage to see how their future tasks are carried out in practice. They will learn about patrol duties and stand at their posts in the field while, here at the regiment, they will learn to use the battery's guns. Other typical recruit training, such as first aid, can wait until later in the course of training," Col Jessen said, adding:

"But this does not mean an end to military discipline and instant obedience to orders. When they are ordered to take cover to the right, soldiers must react, without thinking, for their own good."

The approximately 850 men who will report to the North Jutland Regiment comprise the largest group of recruits ever called up to the regiment at one time.

Part of Agreement

Eventually, they will form an entire artillery unit consisting of a headquarters battery and three artillery batteries with 24 155-mm guns, which are the Army's heaviest artillery pieces. The creation of this new unit is a result of the latest defense agreement. Its goal is to strengthen the Jutland Division, which is Denmark's contribution to the advanced NATO defense of Schleswig-Holstein.

09336

FEDERAL REPUBLIC OF GERMANY

Allensbach Poll Finds Perception of Soviet Threat Diminishing

36200195 Frankfurt/Main FRANKFURTER ALLGEMEINE ZEITUNG in German 22 Jul 88 p 6

[Analysis by Prof Dr Elisabeth Noelle-Neumann: "When the Perception of Threat Disappears. Defense Policy Faces Growing Acceptance Problem"]

[Text] The people are waiting for all nuclear weapons to be removed from the FRG. The majority cannot imagine the near future any other way after the "right course" has been set as a result of the agreement on the removal of medium-range missiles. For the people the situation is clear. Even before the summit conference in Moscow in December 1984, 65 percent of those polled said that now "peace was becoming more certain." Since then General Secretary Gorbachev has exceeded the 70 percent popularity mark, a mark normally achieved only by the president in the FRG. Following his Moscow visit the American president, on the other hand, achieved a total of only 41 percent who thought favorably of him, while 31 percent did not.

Mistrust of the Soviet bloc has decreased dramatically since Gorbachev took over the reins in Moscow. The question of whether or not the East could be trusted was answered in the negative by 58 percent of the people as recently as the beginning of the 1980's; now the figure is only 25 percent.

Plans for the control of Europe by the Soviet Union, should they ever have existed, are no longer considered topical by the majority. A poll conducted in June 1988 included the reading of a dialogue. One viewpoint was as follows: "The Soviet Union is striving for dominance over all of Europe. It will exert pressure on us using its military might so that we will adopt policies which will primarily serve Soviet interests." This view was accepted by 25 percent of the people. The opposing view was as follows: "Policies and Soviet armaments today are oriented toward defense. We need not feel threatened by the Soviet Union and its new policies." This view was shared by 49 percent of those polled.

The idea that the Soviet Union might perhaps want to drive a wedge between Western Europe and the U.S. was rejected by nearly 40 percent of the population. This question was phrased as follows: "Many people say that the Soviet Union wants to create more distance between Western Europe and the U.S. in order to become the ruling force in Europe. Would you say that you agree or disagree?" "Agree" said 30 percent, "disagree" 39 percent. Nearly one-third were undecided on this question.

There is scarcely any chance of bridging the gap between the strongly held views of a considerable portion of the German people and those of NATO defense policy experts. The experts refer to "fundamental geostrategic facts," i.e., that the Armed Forces of the Soviet Union can advance on Western Europe within a short time and over short distances. This fact, say the experts, necessitates the presence of an American-backed nuclear deterrent in Western Europe.

France and England do not want to include their national nuclear forces in disarmament negotiations. The majority of West Germans, however, can no longer see any reason why all nuclear weapons—"the devil's playthings"—should not be removed from German soil. "Do you think that all nuclear weapons should be pulled out of Europe, or not?" was the question asked on this subject. "Yes" said 79 percent, "no" 10 percent, and 11 percent remained undecided. Similar figures were obtained regarding the upgrading of short-range missiles: 68 percent of the people responded negatively, 14 percent positively.

Even the premise that Europe has the deterrent effect of nuclear weapons to thank for more than 40 years of peace is not accepted by a majority—51 percent of the population—with 30 percent voting the other way. At

the same time the concept of the ability of nuclear weapons to ensure the peace would likely provide the sole opening for wringing some good out of these weapons.

The military experts are concerned with the question of how the potential for deterrence can be maintained following removal of the medium-range missiles and, additionally, how the existing invasion capability of the Warsaw Pact could be reduced to a self-defense level during future negotiations on conventional stability (KRK). A majority of the population still goes along with the first step. "Putting it very simply," according to a poll in February 1988, "is military deterrence really necessary for our security or not?" "Necessary," responded 51 percent, while 32 percent held the opposite view, even at that it's 5 percentage points more than in the summer of 1987.

The second step—review of the deterrence strategy following removal of the medium-range missiles—now no longer obtains a majority. The question posed in February 1988 was as follows: "Do you think that following removal of the medium-range missiles there will be sufficient deterrence to ensure continued peace in Europe or not?" Among the people a total of only 6 percent considered deterrence necessary and feared that it would no longer be sufficient following removal of the medium-range missiles, i.e., there was, so to speak, a "need to negotiate."

In order to research views on precisely those questions which presently concern the military, we in public opinion research must resort to hypothetical questions. In order to confront those unconcerned people polled with the problem, the question was prefaced as follows: "Many military experts say that the Warsaw Pact is far superior to NATO in terms of conventional weapons, i.e., soldiers, tanks and aircraft. The question, then, is how the West should react if the East is not prepared to reduce the numbers of these weapons." The response question then follows by presenting two possible viewpoints. One view is the following: "The imbalance is too dangerous. We in the West must build up our conventional weapons or retain enough nuclear weapons for deterrence purposes." The opposing view is: "Nothing can be done about it. We can only hope that the East, after reducing the number of medium-range missiles, is also prepared to reduce the number of conventional weapons."

Twenty percent arrived at the first conclusion. A majority of 57 percent favored hoping that the East would listen to reason and otherwise leaving things as is.

Inspector General Wellershoff said recently that no one could wish for unilateral disarmament. But this is where the worlds of the experts and of the people are far apart. As early as 1983, before the decision to rearm with missiles, the majority of the population favored unilateral prior disarmament (Table 1). The majority of the

people does not believe in the necessity of leaving the FRG with enough nuclear weapons for security and deterrence purposes because 58 percent (as opposed to 19 percent with the opposite viewpoint) think that deterrence functions just as well without nuclear weapons. However, they also do not want to see more money spent on increasing the numbers of conventional weapons (Table 2).

Table 1. Unilateral Disarmament?

"It is frequently said that progress can only be made in the disarmament question if one side takes the first step. Are you for or against the West taking the first step toward disarmament?"

Figures represent Percentage points	May 1982	June 1983	May 1984	July 1985	Feb/Mar 1986	Aug 1987
For	35	39	43	45	41	50
Against	41	35	29	33	34	28
Undecided	24	26	28	22	25	22
Total	100	100	100	100	100	100

Source: Allensbach Archives

Table 2. More Money for Defense?

"Let's assume that all nuclear medium-range missiles are removed from Europe. Are you for or against spending more money for purely conventional armaments, i.e., for defense without nuclear weapons?"

Figures represent Percentage points	June/July 1987	January 1988
Against	61	68
For	19	16
Undecided	20	16
Total	100	100

Source: Allensbach Archives

The debate being conducted in America over whether the European allies ought to bear more of the defense burden in the future is not included in the thinking of the majority of the German population. For the majority it is not a matter of coming around to the question of more or less willingness to make sacrifices in the interest of joint defense. For the majority of the population, expenditures for arms is a moral question in the sense of how much good could otherwise be done with this money.

This attitude is no mere accident. The majority of the people cannot believe there is a threat from the Warsaw Pact. "Two people are discussing reducing the numbers of nuclear weapons. Who would you be more likely to agree with?" was the question asked at the high point of

the negotiations on medium-range missiles in the summer of 1987. One view was: "I fear that if we in the FRG have no more nuclear missiles, we could be pressured by the Soviet Union. Over the long term this could mean that we could become completely politically dependent on the Soviet Union." This view was shared by 22 percent. The other view: "I do not believe that. We are a part of the West. Even if there are no more nuclear missiles here, the Soviet Union will not exert political pressure on us." A clear majority of 57 percent shared this view!

As in the months before the decision on missile rearmament in 1983, public opinion research shows that the people are caught up in nearly unbelievable contradictions. Deterrence is necessary; a military balance between East and West is necessary; NATO is necessary. But at the same time a relative majority of those polled even today says that the FRG should stand between East and West as a neutral country (Table 3).

Table 3. Foreign Policy and Neutrality

"The FRG has several options in terms of how it will conduct its foreign policy in the future. These options are described here. Which would you consider the best option—the one on which the FRG should place the most emphasis?" (Presentation of a list.)

Figures represent Percentage points	Nov 1980	June 1983	Mar 1984	May 1985	Dec 1987
Continue close ties to America	56	47	36	37	32
Conduct policy of neutrality between superpowers in East and West	31	38	38	34	44
Carry out own policies together with EC countries	40	38	35	38	37
Assume neutral position with friendly attitude toward Soviet Union	16	15	8	5	16
Work closely with Soviet Union	4	5	2	1	5
Undecided	9	8	9	10	9
Total	156	151	128	125	143

Source: Allensbach Archives

Who could expect a people to answer defense policy questions without any contradictions? A people, 77 percent of whom say they have never heard the word "verification," a people, 46 percent of whom answer the question, "Can you imagine that disarmament may result in less security, that disarmament could result in the risk of war, or do you think that that is not possible?" with the response, "That is not possible—any disarmament increases security" (with 28 percent holding the

opposite view). Understanding of such terms as "asymmetrical conventional disarmament" can certainly not be expected. Naturally the people react emotionally to military questions. Therefore, the temptation is great on the part of the political parties to go after votes by resorting to various more or less valid disarmament slogans. Their chances of making an impression with them are, today, better than ever.

12552

New Generation of Mine Warfare Craft Entering Inventory

36200181 Bonn WEHRTECHNIK in German
Jun 88 pp 36-42

[Article by Wolfgang Flume: "Mine Countermeasures: Generational Change Initiated—Launching of SM-343, Procurement of MJ-332"]

[Text] The spring of 1988 was highly significant for the mine warfare forces of the German Navy. The christening and launching of the first of 10 class-343 mine warfare craft on 15 March and the selection of a prime contractor for the construction of 10 class-332 mine-hunter craft [Minenjagdboot or MJ-332] a little earlier, initiated—as expressed by Bundeswehr Chief of Staff Admiral Dieter Wellershoff (a minehunter himself)—the long overdue generational change of the floating units of the mine warfare flotilla. The following report contains a detailed discussion of the ceremonial events in Bremen and introduces the minehunter-332 program, which recently experienced considerable changes.

Even though it is always asserted that the next ceremony will be limited in scope, it is unavoidable, and also in conformance with old and cherished tradition, that at least the christening and launching of the first ship or boat of a new class must be celebrated on a larger scale. So it was for the prototype of the mine warfare 343 class, which was christened the Hameln by Emma Johanna Wellershoff, wife of the Bundeswehr chief of staff. VIPs from Bonn and Koblenz attended, including the state secretary for armament; the Bundeswehr chief of staff; the chief of staff, Navy and the branch chief for military materiel, Navy; from Munich came the managing and deputy managing director of Messerschmitt-Boelkow-Blohm [MBB]. They flew to the waterfront to express their pleasure over the successful construction, which embodied the work of many engineers and employees from government and industry. Prime contractor, with specific responsibility for weapons and their command and control systems, is MBB, the aviation and space (and now also naval?) concern. This represented the first christening ceremony in a naval program managed by this company. The participating shipyards of Luerssen, Abeking & Rasmussen and Kroeger, which had formed a syndicate for the 343 project, are responsible for naval architecture; in addition, there are numerous suppliers of equipment.

The craft was launched on the Lower-Saxony side of the Weser River by Luerssen, while the shipyard, the prime contractor, Bundeswehr Chief of Staff Adm Dieter Wellershoff and the state secretary for armament, Professor

Dr Manfred Timmermann, made appropriate comments. The speakers emphasized the special feature of this vessel: For the first time, the hull and superstructure of a surface ship were constructed of nonmagnetic steel, which had proved itself for submarines. This material is particularly suitable for the SM-343's [SM = Schnelle Minensucher or fast minesweepers] mine-laying and mine-sweeping mission, but it presents a serious challenge to participating shipyards with regard to construction, manufacture, and quality control.

Also addressed was the competition for this class of ships as well as for the 332-class minehunter program—in all cases between AEG and MBB—in which MBB, or more specifically the Bremen naval and specialized technology sector, prevailed. Dr Timmermann sees this stiff competition, with its demand on industry to hold prices as low as possible, as a necessity for the state also with regard to future contracts. On the other hand, his industrial opposite, Dr Roland Mecklinger, deputy managing director of MBB, raised the question whether the state should in fact be allowed to exploit this competitive environment and whether an excessive reduction in price was defensible from the point of view of the national economy.

The Hameln will now be further equipped by Luerssen and—after extensive final acceptance trials at sea and subsequent acceptance by the Federal Office for Military Technology and Procurement—is scheduled to be placed into service with the 5th Minesweeper Squadron in the Baltic port of Olpenitz at the end of April 1989. There the SM-343 will replace the 11 SCHUETZE-class fast minehunters, built between 1958 and 1963, whose deactivation has already started. Two more vessels are to be christened in 1988: The "Ueberherrn" by Abeking & Rasmussen at the end of August and the "Laboe" by Kroeger in the middle of September. In all three vessels are scheduled to be commissioned in 1989; five in 1990 and two in 1991. Before commissioning, the fully equipped "Ueberherrn" will be subjected to explosions to demonstrate the vessel's shock-resistance. This feature, as well as reduction of the vessel's acoustic and magnetic radiation, has been stressed by engineers and technicians of industry and the armament sector. The automation of the vessel's technical functions is also considered to be trend-setting.

The contract for construction of the 10 SM-343, after stiff competition from AEG, was awarded on 3 July 1983 to MBB. The operational requirement (on 15 February) for the class-332 minehunter was approved the same year. At that time 20 craft in two batches were still being planned. The basic idea was to achieve cost reduction by using a uniform 343/322 platform, particularly in the utilization phase, and by joint training and logistics. Therefore the design of the SM-343 was already geared toward the more complex mission of the 332-class, which also has greater personnel requirements (37 for 343, 44 for 332). In February 1985 the state secretary for armament decided, while still adhering to the uniform

platform concept, that only 10 minehunters should be built for delivery between 1992 and 1995. At the same time, it was ordered to keep the 331B minehunter in service until 2000.

Minehunter 332

The competitive definition phase for the 332 minehunter commenced at AEG and MBB in the beginning of 1986. Both firms received DM5 million, which did not, however, fully pay for the work since initially only one company was to be responsible for definition; subsequently, however, the competitive concept also prevailed for this phase. The firms presented their definition results in April 1987 and the concomitant construction bids followed on 15 June 1987 with prices quoted at about "the range" of the DM1.7 billion envisaged from the beginning for the construction of 10 units.

During the definition phase, as it were in anticipation of the Bundeswehr plan for 1989, the Navy was subjected to financial constraints with the result that the new "Hardthohe" [German equivalent of the Pentagon] allocation for the project was set at DM1.3 billion. Should the capabilities of the vessels and/or their number be reduced now? Both approaches had their advocates but eventually, after intensive system management studies, those who favored reduced capabilities to achieve cost reductions prevailed, especially since a majority in the Navy wanted to adhere to the number 10.

Officially a type of catalog of price-reduction measures was drawn up; industry made proposals and, after several rounds and by taking advantage of competition, the figure of DM1.3 billion was approached. Then, by force of circumstances, there was the "slaughter of erstwhile holy cows," and industry had to suggest additional ways of saving; even the uniform platform concept was occasionally challenged.

Finally, however, the uniform platform remained for both classes of vessels and was, in fact, made even more uniform since, for instance, a decision was also made during the MJ-332 definition phase to install even a bow-altering bow thruster unit (as in the TRIPARTITE-class minehunters) to achieve better positioning capabilities. Also considered was the question whether a cheaper drive would be more cost-effective for lowered speed requirements. It now became apparent, above all, that strict adherence to the uniform platform concept could also achieve savings in the vessel's construction as a result of series construction (each unit is subdivided into 25 modules and each shipyard produces only specific modules), by utilizing existing construction technology and by foregoing new type testing—this applies both to shipyards and to subcontractors.

Sacrificing certain capabilities—each measure had to have the personal "blessing" of the chief of staff—affected the so-called minehunting chain only to a limited degree; elimination of the transverse thrust system and equipping only half of the minehunter drones with close-range sonar are worth mentioning here.

	Fast Mine Warfare Craft Class-343 HAMELN	332-Class Minehunter
Prime Contractor	MBB	MBB
Shipyards	SM-343 syndicate (4) Fr. Luerssen (3) Abeking & Rasmussen (3) Kroeger	HJ-332 syndicate (4)
Construction (planned)	10	(10)
Launching of first unit	15 Mar 88	1991
Placed in service	Apr 1989-Apr 1991	Aug 1992-Oct 1995
Crew	37	44
Displacement	about 620 ton	about 650 ton
Overall length	54.40 meter	54.40 meter
Width	9.20 meter	9.20 meter
Draft	2.50 meter	2.60 meter
Molded depth	4.85 meter	4.85 meter
Armament	2 40-mm guns STINGER AA missiles mines	1 40-mm gun
Equipment	fire control system N-20/2 minesweeping equipment mine launch equipment	minehunting sonar 2 underwater drones PINGUIN B3 mine divers
Drive	2 MTU 16V396 diesel engines with 2 x 2,240 kw maximum capacity 3 adjustable propellers	Same as for 343 plus a slow-speed drive
Maximum speed	about 18 knots	about 18 knots

Restricted Weapon Employment

The greatest sacrifices were made in the area of surface defenses especially against air targets. The craft is merely equipped with one 40-mm gun which does not otherwise enhance its combat effectiveness. Air surveillance and fire control radar were dropped as were certain EW components and the man-portable infrared-guided STINGER antiaircraft missile [Fliegerfaust 2]. This step was also justified by the fact that these ships will be used primarily in the North Sea where the threat from the air is smaller than in the Baltic where the 343-class mine-layers and minesweepers are to be employed.

State-of-the-Art Minehunting Equipment

Minehunting equipment consists of:

—Two underwater PINGUIN B3 drones from MBB equipped with a TV camera and (for one drone only) a close-range sonar from Krupp Atlas Elektronik. Each drone has two mine-destroying charges with a firing system from Rheinmetall. Endurance is sufficient for extended utilization because of an onboard battery. Data transmission is handled by a guidance cable.

—Special equipment at the stern in front of the underwater-drone hangar (including a decompression chamber) is at the disposal of four mine clearance divers. This rigid deck structure also distinguishes the MJ-332 from the SM-343.

—SATAM, a system to analyze operational mine-warfare data. Here the competition between Ferranti and Krupp Atlas Elektronik is still unresolved.

—A minehunting sonar. Despite certain problems during tests with a prototype on the "Fulda," the now modified DSQS-11H from Krupp Atlas Elektronik—which comes from the Sonar-80 family—will probably get a chance. Competitors (whose chances may not be all that bad) are Plessey and Thomson-Sintra.

—A GPS NAVSTAR system as the primary navigational sensor.

—A navigational radar from Raytheon.

AEG and MBB submitted their final bids for thus equipped units on 19 February and on 26 February, after extremely hard-nosed price negotiations, MBB was chosen as the prime contractor because of its "more economical offer." Even after this selection the total cost of

procurement could, by deleting several more performance requirements, be reduced to DM1.3 billion. After deduction of government subsidies, MBB's share will be about DM1.24 billion. Roughly DM200 million of this amount should remain within the firm of MBB (including the drones), about DM150 million will go to MBB's subcontractors, while the shipyards and their subcontractors will receive about DM900 million. The construction contract, which had been negotiated in a rather short time, was countersigned in the middle of April; the Military Technological Economical Requirements are currently being defined and consideration by parliament is scheduled for May/June, so that—assuming everything goes according to plan—the construction contract can be finalized at the beginning of July.

The construction program for 10 class-332 minehunters—for all practical purposes a second, modified edition of the 343 class—follows, albeit after a short interruption, the 343 construction program. Launching of the first unit [is scheduled] for 1991; the first two units should be commissioned in 1992; two additional units will follow in 1993 and three each in 1994/1995. This spaced construction—also determined by budgetary considerations—will provide until 1995 for a rather even utilization of the basic capacity of participating middle-class shipyards (and in part also of equipment subcontractors).

When the 10 SM-343 and the 10 MJ-332 are put in service the mine warfare flotilla will experience something like a semi-generational change and also a certain degree of restructuring. As mentioned earlier, 10 SM-343 will replace 11 fast SCHUETZE-class minesweepers in the Baltic. The remaining 10 SCHUETZE-class vessels with the 1st Minesweeper Squadron in Flensburg and the two 331A minesweepers will be replaced by 10 MJ-332, which will, however, be stationed in Emden, that is to say in the North Sea. The flotilla's minehunting capabilities will be decisively enhanced by the minelaying capacity of the large SM-343 whereas routine minesweeping will be reduced because of the smaller number of units. After the year 2000 a second semi-generational change remains to be carried out. At that time the 18 inshore class-393/394 minesweepers from the sixties, the 10 class-331B minehunters (placed into service in the fifties and retrofitted as minehunters in the seventies), and the equally old six TROIKA-class magnetic skid mine control boats will have to be replaced. Just what kind of "combat capability replacement" should be designed for these units is already being considered by a study group. It would, of course, make sense to arrive again at a uniform platform concept, analogous to that of the SM-343/MJ-332, unless entirely new, unconventional approaches are chosen.

ITALY

FIAR Presents New Airmobile Radar 35280165 Rome AERONAUTICA & DIFESA in Italian Jul 88 pp 66-88

[Article by Claudio Tatangelo]

[Text] Three low-weight airborne radars designed to be used with new-generation aircraft such as the AV-8B and the naval export version of the AMX and to upgrade aircraft outfitted with obsolete electronic systems, such as the Mirage, MiG-21, and F-5

During 2 days of meetings (on 18 May with representatives of the Italian armed forces and aerospace industry and on 19 May with delegations of military attaches accredited to Italy and the specialized press) held at its own plant, in a setting in no respect inferior to the ones to which the major aerospace shows have become accustomed, FIAR [Italian Company for Radio Instruments] displayed a new family of airborne radars which can be used in a wide variety of aircraft, either as original products or by retrofitting on aircraft which still perform acceptably but which are currently equipped with obsolete radar systems, as is the case with many aircraft of the Mirage class, the MiG-21, the F-5, and so forth. This is the Grifo family of radars.

A few years ago the Marines expressed the need for equipping their AV-8B Harrier helicopters with a dual-capability radar, both air-to-air and air-to-surface, and FIAR, which boasts of experience dating back several decades in this area and a sales volume in the specific field of airborne radar which accounts for 40 percent of the company's total turnover, undertook a feasibility study with Westinghouse in the United States. However, as the interest of the United States Marine Corps in this solution declined, Westinghouse decided to abandon the program and leave it to FIAR to go it alone. FIAR decided to complete research on its own in connection with installation of the P2800 Grifo radar on aircraft.

The Head of the Family

The Grifo radar is a multipurpose coherent-pulse Doppler radar designed for a wide range of multiple-mission air superiority aircraft in which, because of its modular design and flexibility as regards both hardware (the physical components of the entire system) and software (the type of programming for the operating system), it can easily be reconfigured and customized for a large number of aircraft with different operational and flight characteristics and parameters. It has numerous applications, ranging from the air-to-air function to target tracking, with either look-up or look-down scanning capability (with a useful range of the order of 60 km). During air combat phases, the radar effects automatic target acquisition and provides images for the HUD (heads up display), in which case it functions as a sight.

In the air-to-ground mode the Grifo can function as a navigation radar, with the ability to display the outline and separation from the ground, by showing a map of the ground, and with the ability to detect and track moving targets on the ground because of the Doppler effect of the wave transmitted. In its antiship mode, on the other hand, it has two operational capabilities, depending on the state of the sea and weather conditions. It retains its capability of carrying out its mission even in the presence of a very rough sea and very poor weather conditions, which generate a considerable amount of clutter. In addition, the system allows initial approach in the freeze mode, that is, it "freezes" the antenna in the direction of the target without itself transmitting electromagnetic signals which could enable the enemy to identify the aircraft.

The P2800 radar is capable of executing tracking and scanning (track-while-scan) functions simultaneously, in both the air-to-air and the air-to-ground modes. It operates in the X band (a frequency range between 8 and 15 gigahertz) with extensive frequency agility and is equipped with a 150-watt TWT (traveling wave tube) transmitter having a single-pulse planar antenna, which can optionally be provided with dipoles for the IFF (identification friend or foe) transponder and continuous-wave illuminator for semiactive missile guidance. It is also equipped with a signal processor which can be programmed as required by the needs of the individual mission and is marked by high resistance to electronic countermeasures and by great simplicity of maintenance. The Grifo also has great potential for addition of functions, such as detection of helicopters while hovering, even at low altitudes.

Because of its low weight, around 90 kg, the radar can operate with a wide range of weapons, such as guns and free-fall bombs, infrared guided missiles such as the Sidewinder, semiactively radar guided missiles (the Sparrow, Sky Flash, and the like), antiship missiles such as the Kormoran, and the new AMRAAM actively guided missiles.

The Descendants

Two other low-weight systems have been derived from the Grifo, the Grifo-X and the Grifetto. The capabilities of the Grifo-X in air-to-air combat are limited to short ranges of the order of 25 km (look-down), and the system is employed exclusively in conjunction with guns and infrared missiles, but it has the same characteristics as the Grifo both in close tactical support and battle area interdiction (CAS/BAI) missions and in more specific missions in the antiship function. It is equipped with an antenna which is identical in configuration to that of the Grifo but is more compact and cannot be integrated with the IFF equipment. In addition, the power of the transmitter is limited to only 100 watts and the capacity of the receiver and signal processor is smaller, but as a result

both the dimensions of the entire system are reduced and the weight is lowered to 70 kilograms, so that the system is suitable for light attack aircraft such as the Northrop F-5 and the MiG-21.

The Grifetto, on the other hand, has been designed specifically for the antiship version of the Italian-Brazilian AMX aircraft. Flight testing of the system is to begin in December of this year. The Grifetto is the lightest member of the family, weighing only 53 kg. It has a radar equipped with a magnetron transmitter optimized specifically for air-to-surface employment and having the same operational capabilities as the two larger systems. However, it is limited from the viewpoint of use in air-to-air functions, in that its capabilities are restricted to close combat, it can "look" up only, and it is sensitive to clutter. It nevertheless retains a significant broad-band frequency agility capability that can be utilized in every employment mode, with both random and logical sequences.

This simple system retains a high degree of component commonality with the larger versions, to which it can be reconfigured by replacing the magnetron transmitter with a coherent Doppler pulse transmitter and by changing a small number of receiver parts by adding appropriate Doppler signal filters.

With these three radar systems, FIAR is placing on the international market a highly competitive family with which to upgrade the basic electronic component of many aircraft which are still serviceable but which are still equipped with definitely outmoded aircraft radar no longer capable of meeting operational needs throughout the world.

6115

SPAIN

Strategic Role in NATO Defense Discussed 35480104b Madrid CAMBIO 16 in Spanish 20 Jun 88 pp 43-45

[Article by Braulio Calleja: "The Missiles 'War'"]

[Text] No one makes a fool of himself if he is alone. In order to make a fool of yourself, in addition to not being alone, you must have people who are not your subordinates watching you. All these conditions were met recently, when an artillery officer requested from the Air Force Headquarters a collection of photographs showing the Spanish Air Force airplanes viewed from below. To this officer, it was essential to know the features of the aircraft he had to defend and, in the event of a possible enemy attack, to know toward which targets he would have to aim his gunfire. The request was scoffed at. The Air Force commanders didn't understand how anti-aircraft defense could possibly be based on mere visual observation.

This incident illustrates the dispute under way between the Army and the Air Force for control of antiaircraft defense, headed by their chiefs of staff, Miguel Iniguez and Federico Michavilla. The controversy has become reactivated now with the forthcoming deployment of the Roland and Aspide missiles purchased from France and Italy in 1986. They all claim to be right: The artillery forces consider it counterproductive to duplicate functions, and the airmen wonder whether it is fair for the Air Force to give up its own antiaircraft defense. Amid the more or less domestic incidents and quarreling, a disturbing reality has appeared. Spain is still the only European country that does not have its air bases protected by low altitude missiles; the alert and control system shows "gaps" through which enemy aircraft could enter; and an underground Combat Operations Center (COC) is lacking. With this list of missing items, to which could be added the need for having mobile alert radar, it is not surprising that, in NATO itself, a recommendation has been made to the Spanish Government: it should protect the Alliance's southern flank.

First Deployments

At present, Spain has ground-based antiaircraft defense consisting of conventional guns and Hawk and Nike missile launchers to attack aircraft which fly at an altitude of over 5,000 meters. These missiles have become obsolete, and their effectiveness has been reduced. For this reason, the Defense Ministry has promoted a program for the purchase of this military equipment, also including a section relating to compensation for making Spain self-sufficient in the production of these tools of war. For the present, the 450 Rolands and 200 Aspides which have been purchased will be arriving in Spain. They will soon be manufactured in Spain, entailing another problem of competition among various companies willing to initiate this new industry.

Spanish Missile Supply

Make	Launchers	Number of Missiles	Branch	Patent
Hawk ¹	24	-	Army	USA
Nike	8	-	Army	USA
Roland	18	450	Army	France
Aspide	13	200	Army	Italy
Harpoon ²	-	20	Air Force	USA
Harm ³	-	80	Air Force	USA
Harpoon ⁴	-	80	Navy	USA
Standard ⁵	-	-	Navy	USA

¹Antiaircraft. ²Air-to-Surface. ³Antiradar. ⁴Surface-to-Surface.

⁵Surface-to-Air.

Source: Military Accounting and Defense Ministry

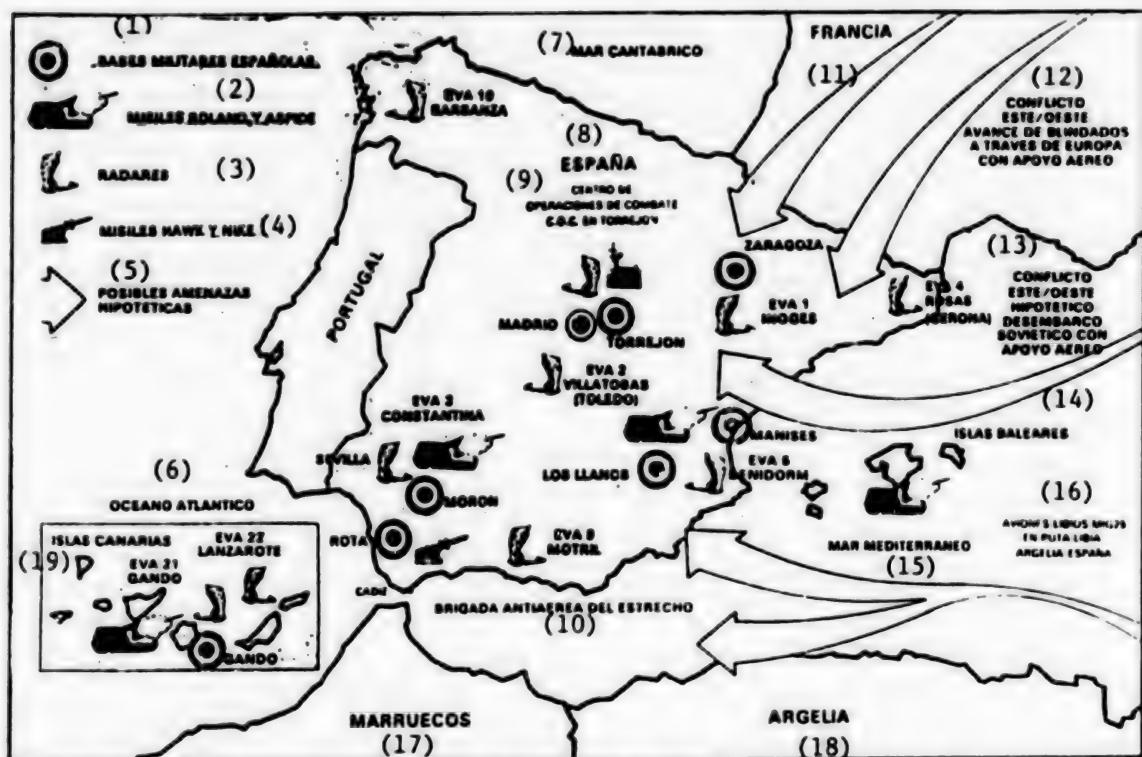
The Roland is a low altitude antiaircraft missile designed for zonal defense and installed on the chassis of battle tanks. It gives air cover to the large units in their movements. The Aspide missile, with the same applications as

the Roland, is designed for the defense of air and naval bases. Both have been assigned to the Army, which also assumes responsibility for countering air attacks against those points of vital interest to national defense. And it is here that the controversy arises: Neither the Air Force nor the Navy deems it logical for the defense of their bases to be in someone else's hands. The Air Force has among its priorities the provision of security and direct (both land and antiaircraft) defense of its bases and installations. This challenge which, according to the sources queried, will not be easy to meet, owing to the pressure being brought to bear by the Army Headquarters upon the defense minister. It would mean shutting down a program of Air Force activity that would be compensated for by the purchase of surveillance and air space control planes (AWACS [Airborne Early Warning and Control System]), and with links between the alert and control system and the NATO alert systems. In the case of the AWACS, everything points toward an agreement with France and Italy to share the use of these modern aircraft; while the links with the NATO system are contingent on the negotiations being held between the Spanish Government and the Atlantic Alliance to decide on Spain's contribution to Western defense.

The purchase and subsequent deployment of the 200 Aspide missiles have mobilized other interests. Sources queried at the Army Headquarters have confirmed to CAMBIO 16 the fact that the Canarias, Sevilla, and Valencia Captaincies are pressuring for taking the largest possible number of missiles to their territorial jurisdictions. In the Defense Ministry, however, this point has been denied, indicating a reasoned solution: The missiles purchased by Spain in this first deployment phase will have a placement directly related to defense requirements. Nevertheless, the Rota and Cartagena naval bases have also evinced an interest in participating in this distribution.

NATO Imposes Criteria

In several internal NATO documents, mention is made of the role that Spain could play if confronted with two hypothetical conflicts. If hostilities started in Central Europe, Spain would become a rear guard, and a starting point for the counterattack. Hence, the alert and control system was recently extended to the northwest (EVA 10, Barbanza), and the link has been planned with SICCAP (Portuguese Defense System), which would close the circle around the entire West. If the attack is planned for the southern flank of NATO, the target would be Spanish territory. The Atlantic Alliance strategists think that the "first strike" might be received by Spain in the Mediterranean and from Libya; because the enemy bloc would try to prevent the allies from organizing their rear guard. With these threats on paper, the Spanish Government is improving the air space control system by reinforcing the installations in the Southeast, Levante and Baleares. Programmed at the same time is the entry into operation of three-dimensional radar (the first to be installed in



Key: 1. Spanish military bases; 2. Roland and Aspice missiles; 3. Radar; 4. Hawk and Nike Missiles; 5. Potential hypothetical threats; 6. Atlantic Ocean; 7. Cantabrian Sea; 8. Spain; 9. Combat Operations Center (COC) in Torrejon; 10. Strait Antiaircraft Brigade; 11. France; 12. East/West conflict, armored advance across Europe with air backup; 13. Hypothetical East/West conflict, Soviet landing with air backup; 14. Balearic Islands; 15. Mediterranean Sea; 16. Libyan MIG 25 planes on Libya-Algeria-Spain route; 17. Morocco; 18. Algeria; 19. Canary Islands.

Canarias), as well as a new deployment of radar emplacements. All this is supplemented by the pertinent land and antiaircraft defense units. From Brussels, the Spanish Government is being encouraged to remedy the shortcomings currently discovered both in the control system and in the weapons deployed. NATO wants most of the low altitude missiles deployed in Spain to be in the Southeast and Levante area; essential points for responding to a Libyan attack.

The Spanish Government is attempting to enter the European high tech missile circle, although it has not yet managed to break its dependence on other countries. All the experts consulted agree that the purchases made from other countries, all with the compensation clause, have not provided access to the most advanced technology in this sector. For example, in the contract for the purchase of the 200 Aspide missiles, the Italian consortium, Selenia Contraves, it was stated that 60 percent of the missile would be constructed by the Spanish industry. No one has known how to respond with respect to whether this agreement is fulfilled.

Once again, the Spanish Government is being accused of poor decision-making while undertaking a project, in which a technological component developed by the countries around us has an extremely important role. Spanish companies willing to start manufacturing a Spanish missile, based on the devices developed in France and Italy, are amazed that, at this stage, there is no recourse other than to resort to the foreign market to obtain military devices developed by countries similar to Spain in their economic potential. In this connection, the military sources queried complain of the lack of a future vision in the Armed Forces' law on provisions, "which is far more concerned with purchasing the packaged product than in laying the groundwork for promoting and reinforcing national enterprise."

The national company, Santa Barbara, and the private firm, Rio Tinto Explosives, are working together on a missile manufacturing program, although those familiar with the project claim that this is a simple missile, without any major electronic components. Nevertheless, while the future concentration of the companies manufacturing weapons remains pending, any idea that is

submitted in this regard will have to wait for that reorganization to take place. It does seem certain that the technology selected as a base will be the Italian, but many interests are yet to be defined before a decision is made on who will carry out the manufacturing project.

2909

Civil Guard Gives Antiterrorist Training to Mozambican Troops

35480104d Madrid YA in Spanish 2 Jun 88 p 7

[Text] For the time being, the Foreign Ministry is neither planning to train more Mozambican military nor to send military advisors to that African country to collaborate on an agricultural cooperation project. This month, 10 Mozambican officers conclude a training course in antiguerrilla warfare techniques given by the Civil Guard at El Escorial, at a cost of 3 million pesetas. The experience will serve as an aid to the agricultural cooperation project promoted by Spain, and also as a means of combating the RENAMO [Mozambique National Resistance] guerrilla movement fighting the Marxist regime in Mozambique.

A captain and nine second lieutenants from the Mozambican Army arrived in Madrid from Maputo, via Lisbon, on 11 February of this year, as part of a cooperation plan sponsored by Spain in that African country in mid-1987. The military arrived in our country to take a training course in antiguerrilla warfare techniques, lasting 6 months, so as later to use the experience gained in their own country.

The origin of this visit lies in the Spanish proposal to carry out an agricultural cooperative project in Mozambique's Maputo River basin, for the purpose of cooperating in agricultural development and increasing food production in an area stricken with famine and other diseases. Several Spanish agricultural engineers traveled to the African country last year, to study the location of the agricultural development operation.

At first, consideration was given to the Matutine area, covering an expanse of from 2,000 to 4,000 hectares. The main property for the development, known as Salamanca, would serve as the principal center for the operation. However, sources from the Foreign Ministry remarked yesterday that problems "of a technical nature," including the fact that the latter is an area beset by malaria, could preclude the placement of the center in that location. Nevertheless, the shadow of the guerrillas hovers over plans to change the site. The latest indications point to the area known as Pequeno Libombo, in the vicinity of the South African border, as a site to replace Matutine.

Security of the Project

The single party government of President Chissano has a difficult adversary in RENAMO. All the industrial projects undertaken by the country become potential centers for guerrilla action; and hence it requested Spain's collaboration, and, more specifically, that of the Civil Guard, to protect the program.

Last year, a Civil Guard lieutenant colonel visited Mozambique to cooperate in selecting the first candidates to take an instruction course. At that time, the RENAMO guerrillas launched a violent attack on the outskirts of Maputo, the nation's capital and a particularly troubled area, killing an undetermined number of military. According to some reports, included among the survivors was Capt Faustino Kalulu Tenese who, after completing the morning instruction period yesterday, preferred not to recall the incident.

Captain Kalulu is one of the 99 military men who began the instruction at the Civil Guard's Special Training Center [CAE] in San Lorenzo, at El Escorial, a center which takes in the candidates for admission to the Civil Guard's Rural Antiterrorist Groups (GAR), officers from the other branches of service, and Latin American military personnel.

Antiguerrilla Course

The course, consisting of 75 percent practical classes and 25 percent theoretical ones, includes a complete program of instruction in various aspects of antiguerrilla warfare. The course members undergo a difficult physical education program, with marches in the mountains, real firing drills in a town, explosives preparation, survival, paragliding, rappeling drills and, in general, all the practical aspects associated with antiguerrilla warfare. Also prominent among the latter are those relating to interrogations, and studies of weaponry and the usual techniques of terrorist groups.

Lt Col Manuel Rodriguez Gutierrez, chief of the CAE, explained that the course is intended to provide the candidates with excellent physical preparation, so that they will acquire complete self-confidence, and develop their capacity to assume risks and the desire for self-improvement. However, for the Mozambican officers, the course will be used to apply the instruction received to train other units in their country. "Training them so that they may train," he commented.

Yesterday morning, a group of reporters observed on site the training of the African officers, divided into two groups. In the first one, the second lieutenants completed a difficult rappeling session at a partially demolished hospital near Guadarrama. The second section involved practicing real firing with pistols on some trails with obstacles and explosives, intended to give the candidates

greater speed in shooting. The firing exercises, both day and night, are also performed with CETME [Special Materials Technical Studies Co, Inc] assault rifles.

European Collaboration

Spain is not the only country that is training the demoralized members of the Mozambican Armed Forces on its soil. For example, Great Britain is currently training a company of soldiers in Zimbabwe to safeguard the Zambeze railroad line in the future. In Portugal, there are 12 officers who will cooperate in providing security for an installed electrical line. Italy has banned the training, but France, which has not yet started the instruction programs, has already sent a military delegation with the mission of providing the Army with helicopters (Pumas or Alouettes); as a result of which Mozambique's dependence on East European countries for weapons will start to diminish.

[Box, p 7]

The arrival of 10 Mozambican officers at the Civil Guard's Special Training Center has been met with widespread curiosity.

During the 15 previous courses, military from various South American countries had passed through the center's classrooms (this year, there are two Argentines), but it was never thought that African officers would take the 6-month courses at the CAE.

Shy and smiling, the 10 Mozambican officers seem to have become well adjusted to the center and to their companions. Several of them speak Spanish with a certain amount of fluency, because of their long stay in Cuba, where they took courses for a 5-year period; something which, they commented, is not unusual for their country.

They arrived in Spain when the training course had already begun its activity, although they quickly caught up with the pace. According to the CAE director, the physical training has helped them to toughen their physique, "because when they arrived, they were a little flabby in the arms."

The rappeling drills witnessed by the reporters yesterday are partly responsible for the fact that their biceps are not the same as they were months ago.

2909

Loss of Cultural Aid Associated With F-16 Withdrawal Viewed

35480104a Madrid CAMBIO 16 in Spanish
18 Jul 88 pp 28-29

[Article by Victor Steinberg: "Without Bases There Are No Grants"]

[Text] Before the American F-16 fighter planes assigned to 401st Wing based in Torrejon leave Spain permanently, nearly 600 million pesetas that the United States

has been contributing annually for cultural and research purposes in return for the leasing of the bases will have vanished.

Those who will pay the bill for the bases are a large group of intellectuals from quite varied areas of research and artistic creativity, and of the broadest ideological spectrum. The National Youth Orchestra, directed by Edmond Colomer, was able to give concerts in America thanks to the \$100,000 subsidy; and the same thing held true of the National Theater, directed by Miguel Narros. The English Department at Salamanca University, in turn, was able to purchase 40,000 volumes, 25,000 of which are on microfiche, with money from these funds. Grant-holders as disparate as Camilo Jose Cela, Cristina Marsillach, actress Ana Torrent, the son of painter Canogar, or Ian Gibson benefited from these funds and were able to travel to America; something that they would surely be unable to achieve now.

Other beneficiaries of the American aid are less prominent. Joaquin Leguina, despite his avowed anti-Atlanticism, obtained \$80,000 (9 million pesetas) for the Madrid Community. The Pablo Iglesias Foundation, which at one time was accused by the opposition of being the vehicle used by the German Flick group to provide money to PSOE [Spanish Socialist Workers Party], received \$34,861. Another \$30,000 was used to finance a symposium on the new Spanish literature, "The Newest Ones," whose participants were mostly from the generation of the 50's, such as Juan Benet or Goytisolo.

The broadness of the criteria used in distributing the money on the part of the Joint Spanish-American Committee is shown by the fact that well-known leftist intellectuals have benefited from it. Julio Rodriguez Puerolas, professor and author of a controversial history of literature in three volumes, known for his anti-imperialist ideas, received \$1,725; Angel Facio, director of the defunct drama group, Los Goliardos, and associated with the chair of the History of Ideas, with Juan Trias Bejarano, one of the founders of the Spain-USSR Friendship Committee, received \$2,000; and Andres Sorrel, author and journalist, and former editor of the Madrid newspaper, LIBERACION, received \$8,866 to attend the International Writing Program at the University of Iowa.

The broadness of these criteria is in contrast to the atmosphere of fear detected among certain intellectuals who signed petitions on behalf of saying "no" to NATO, and who have found their periodic lectures and invitations to American universities stopped, in what they describe as an act of reprisal.

In the first security treaties signed between the United States and the Franco administration, the notion of guns and butter prevailed, and remained in force during the 1950's and 1960's. During the 1970's, it was exchanged for guns and grants. This was noted in the section of the treaty between the two countries entitled "Non-Military

Matters." On 14 May 1983, with the Socialists governing Spain, a new agreement in effect for 5 years was signed. In it, the cultural aid continued to be included in the military accord, but the philosophy did not appear to be very modern, especially considering the fact that the Spanish flag had already been raised at NATO headquarters, with the heading "non-military" abolished, but not its essence. The cultural funds continued to arrive.

The guns or, in this instance, the combat planes, might prove bad for health, but they were useful for culture and research. In the 11 years of existence of the Joint Committee, a Spanish-American agency responsible for granting aid and deciding on the amount thereof, 4,140 billion pesetas, at today's exchange rate, was distributed. During the period when the last treaty was in effect alone, 1983-1988, 1,447 grants were provided, as well as aid amounting to 2,530 billion pesetas. In view of the shortage of Spanish funds for research and culture, the American aid became essential; however, it has ended.

A group of intellectuals from various camps signed a letter addressed to the governments and to the public of the U.S. and Spain, warning that, "the abolishment of the Joint Committee or a major curtailment of its activities would mean the loss of one of the few sources of financing for artistic activities and research projects in the humanities and social sciences."

Jaime Salas, one of those responsible for the Xavier de Salas foundation, told CAMBIO 16: "Its purpose is to have both governments reach agreement, not only on the number of airplanes to remain or to leave, but also on the cultural aspects of the bilateral relations"; adding that, in his view, the future appears very bleak. The Salas Foundation received aid from the Joint Committee to build an educational museum in Trujillo, and to restore the foundation building, at a cost of nearly 3 million pesetas.

Juna Pablo Fusi, a historian and director of the National Library, denies that he signed the letter for political purposes: "I simply believe that the programs are beneficial, and that it is necessary to continue them." The library received 3 million pesetas in 1986, to purchase a computer, and an additional 1.8 million pesetas in 1987 to purchase books.

Not all the signers have such neutral views. Jose Varela, vice chairman of the Ortega y Gasset Foundation, believes that, "The Committee has performed a task in an efficient, flexible, and objective manner; and I signed because of what they have denied me, in all instances based on good reasons and arguments, and not because of what they have given me, proving that there is no friendliness. They have never given money to us in the foundation as such; but they have backed some of our programs." The Official State Bulletin records the fact that the outlays made in the form of aid for institutional cooperation during 1983, to the Ortega y Gasset Foundation, amounted to 11.5 million pesetas; and, in 1985, another 8 million pesetas.

Varela adds: "In my opinion, the Spanish negotiators have no interest in cultural matters, and are not sufficiently persistent in carrying out the agreement." This assertion is not shared by Miguel Antonio Arias Esteves, general director of cultural relations in the Spanish Ministry of Foreign Affairs and co-chairman of the Joint Committee representing the Spanish side; as such, being one of those responsible for the negotiations. "We are doing everything possible to carry out the agreement; we hope to be able to sign it this year, but it will change the philosophy. It will not be linked with the defense accord, and we shall have to count on private institutions to finance the agreements that we sign between the two governments. This will force us to have higher levels of efficiency and profitability, because we shall be talking with more demanding individuals."

Agreeing with Miguel Arias on the need to change the philosophy of the agreements is his American counterpart, Robert Earle, joint chairman of the Committee in his capacity as counselor for cultural affairs at his embassy in Madrid. "The funds that the Committee had been using up until now came from a portion of the U.S. budget designated as a fund for economic aid, used for the development of Third World countries. This does not apply to Spain, and both of our governments hope to establish a more egalitarian relationship. The new Committee will have to have its own funds in order to operate; but there are many American foundations and institutions interested in this country, which could provide funds for concrete projects. But it will have to work in order to earn its bread," declared Earle in conclusion.

The fact is that, last year, the U.S. Congress considerably reduced the amount allocated for Spain; the nearly \$5 million given during fiscal 1986-87 was cut to \$2.11 million for 1987-88. This reduction, which some interpreted as punishment for the Spanish demand that the F-16's be withdrawn, was, in fact, related to an across-the-board policy of the Reagan administration to curtail subsidies. Despite this cut, a program parallel to that of the committee, namely, the Fullbright program, which is totally financed by the American administration with public funds, has not ceased to grow. "Spain is the second-ranking country in the world, after Germany, from the standpoint of Fullbright funds; this year, we exceeded \$5 million."

The enormous interest evoked in Spain by everything that happens in the U.S., and vice versa, has no suitable means for rapprochement, claims Robert Earle. "Neither of the two countries knows how to connect with the other," declares the American official; but it is possible that the relations on an equal footing in the new defense and cultural cooperation treaties will make it possible for the connection to occur. In any event, this is the price of independence.

Antidisturbance Forces Take Part in 'Operation Summer'

*35480104c Madrid DIARIO 16 in Spanish
19 Jun 88 p 11*

[Text] The five antidisturbance companies with headquarters in Madrid, Barcelona, and Pamplona will remain at their bases all summer, in anticipation of possible terrorist attacks and to reinforce the coverage for the citizens' security. This measure also partially applies to Zaragoza, Bilbao, and Logrono, whose reserve units will have smaller deployments.

This operation began on 15 June, with the transfer of a small number of units because the major part of the campaign will be implemented on 1 July. Concurrently, there will be reinforced vigilance at the border stations, and a special summer police station will be set up in Manga del Mar Menor.

This first phase has been assigned to the companies from Murcia, which have been moved to Alicante; from La Coruna, to Gerona; from Logrono, to Tarragona; from Cordoba and Linares, to Malaga; from Valencia, to the tourist sites in the same district; and from Oviedo, to Palma de Mallorca.

On 1 July, replacements and new assignments will occur, as a result of which the antidisturbance forces from Merida will be moved to Sevilla; from Lerida and Murcia, to Alicante; and from La Coruna, to Gerona. Toledo will reinforce the vigilance in Madrid, and Granada will cover its own district and Almeria. The companies in Zaragoza, Bilbao, and Ciudad Real will remain at their respective bases; the latter as a "second reinforcement" in anticipation of special activities in the capital of Spain.

During the second half of July, the replacements and new assignments affect the units from Merida, which will cover Sevilla; Cordoba, Linares, and Murcia, which will do so in Malaga; and Miranda de Ebro, which will reinforce the vigilance in Palma de Mallorca, on the occasion of the royal family's summer stay.

The operation will remain unchanged during the first 2 weeks of August, with the exception of the transfer of the Zaragoza reserve unit to Tarragona, and the return of the Logrono and Toledo companies to their bases. During the second half of that month, the plans remain intact, with the exception of the movement of the unit based in Valladolid to Gerona, and the replacement, in Madrid, of the Toledo company by that of Ciudad Real.

The Guipuzcoa beaches and the reinforcement in San Sebastian will be covered throughout the entire summer by limited replacement shifts.

SWEDEN

Coast Guard Outfitting Craft for Submarine Surveillance Role

*36500163 Stockholm SVENSKA DAGBLADET
in Swedish 22 Jul 88 p 9*

[Article by Mats Knutson]

[Text] The Coast Guard is to be better equipped for submarine surveillance, and is going to receive 7 million kronor for 15 of the larger ships with hydrophones.

"With these we will be a considerably better instrument in conducting submarine surveillance," said the acting general director of the Coast Guard, Peter Ortendahl, to SVENSKA DAGBLADET.

He believes that the Coast Guard can make a significant contribution, especially in the initial phases of a submarine hunt. The Coast Guard's patrolling along the sea boundaries also means that with hydrophones onboard, the probability of detecting foreign submarines making their way inward will increase.

It is the large patrol ships—the cruisers and destroyers—which are to be fitted with hydrophones. In addition, the Coast Guard wants the two new destroyers scheduled for delivery 18 months from now to be fitted with hydrophones.

Aircraft

The Navy and Coast Guard have also held discussions on equipping the latter with Casa airplanes fitted with hydrophones which could be dropped in an area where foreign submarine activity is occurring.

The issue of hydrophone equipping will be taken up during this fiscal year, but it is still unclear when delivery and installation may occur.

Commodore Goran Frisk of the Naval Staff in Stockholm believes that it will take at least a year before the equipment will be in place on Coast Guard ships.

"Among other things we must do, is to have discussions with the Coast Guard as to which type of hydrophones should be procured," he said.

"With 7 million kronor, we can expect to be able to get from 5 to 10 units of varying types," said Frisk.

Better Cooperation

Carl-Gustaf Dahlen, acting Regional Chief of the Coast Guard's Eastern Region, said: "For a long time, we have lacked hydrophones, and the advantage in putting hydrophones in our ships is that they are out to sea very much of the time."

The Coast Guard divided from the Customs Service table of organization on 1 July, and is now an independent authority. The belief is that cooperation between the Navy and Coast Guard will now be more effective. But there was already a high degree of cooperation paying off. For example, the Fleet's units trained with Coast Guard craft in searching for target submarines.

Has Assisted

The Coast Guard has also assisted in several actual submarine hunts, for example, by carrying out surveillance, forming barriers to close off waters and making contacts with civilian authorities.

"Our philosophy is to help in most aspects, except firing of weapons, since we are a civilian organization," explained Dahlen.

Leif Sjostrom, general director of the Coast Guard, said: In principle, it is the Navy which conducts actual combat against submarines, but for this is required various types of support, such as, information from the Coast Guard, the public and others. We in the Coast Guard have especially good possibilities in this area, since we have many well-trained people along the coast, and they are always in motion.

/9274

AUSTRIA

Drop in Exports to CEMA Continues

36200193b Vienna DIE PRESSE in German
13 Jul 88 p 9

[Article by Erich Hoorn: "Drop in Exports to CEMA Continues"]

[Text] Austria's exports to the CEMA area were always something we could point to with pride. Even today, we still like to point to our bridge-building function between East and West. In every discussion about our joining the European Communities we tend to emphasize that our trade with the East must not suffer in the process. But sometimes we even tend to exaggerate that particular argument by saying that if indeed it did suffer, Austria should rather forget about EC membership.

Unfortunately, one look at our foreign trade statistics shows that Austria's trade with the East has become less and less significant with the passage of time. Exports to the CEMA countries have declined to such an extent that their importance to our foreign trade establishment has gone down enormously over the past several years. Last year, only 9 percent of Austria's total exports went to the CEMA area. That is the lowest percentage since these statistics were first collected in 1953. The record was attained in 1975 when 17.1 percent of total exports went to the CEMA countries.

This year, the CEMA exports dropped still further, to 8.1 percent of the total and imports from the CEMA countries accounted for 6.5 percent of all Austrian imports. Today, the Austrian share of the Eastern market is substantially smaller than that of the EC, of EFTA or the overseas nations.

Dr Jan Stankovsky, the foreign trade expert on the staff of Wifo, the Institute for Economic Research, believes that the all-time export low will be reached this year. In actual figures, the drop has been enormous. The all-time high was reached in 1985, when Austria exported goods worth 39.2 billion schillings to the CEMA area. Last year, by comparison, the amount was 31 billion schillings, representing a drop of more than 20 percent. Stankovsky believes that export revenues for this year will be under 30 billion schillings.

Nevertheless, Austrian firms make a determined effort to capture Eastern markets. Large numbers of exhibitors invariably register with trade missions and participate in trade fairs held in CEMA countries. But exhibit specialists complain that very few companies are showing any interest in the markets of the future in the Pacific region.

While many foreign firms are leaving the East Bloc because they can see no chance for selling their products there, the domestic companies are not about to give up

their share of the "domestic market." In fact, they are fighting so hard that they are constantly gaining in importance vis-a-vis their competitors.

This has substantially enhanced their market position in the CEMA countries. The Austrian share of total exports by the 24 OECD countries to the CEMA area increased from 5.6 percent in 1985 to 6.4 percent last year. But this only came about as a result of the marked decline in the exports of the other OECD members to the East Bloc.

Medium-term prospects for the Austrian export industry are not particularly rosy either. The only hope for improvement would lie in a substantial rise in energy prices, i.e., something like a third OPEC shock, since Western export opportunities are tied to CEMA export prospects to and hard currency income from the OECD area. Since the East Bloc countries and the Soviet Union in particular are major suppliers of oil and natural gas, they have suffered huge losses as a result of the sharp drop in energy prices.

To be sure, higher East Bloc indebtedness could also help boost Western exports. In fact, the question is being raised of whether the Soviet Union might not concentrate on obtaining credits to buy plants for the production of consumer goods. This would be one way of alleviating the continuing shortage of consumer goods and "selling" any improvement in this sector as a clear success of the economic reform program.

09478

New National Bank Chief on Role

36200193a Vienna DIE PRESSE in German
13 Jul 88 p 1

[Article by Margarete Freisinger: "New National Bank Chief To Maintain Hard Currency Policy"]

[Text] Helmut Klaufs, who was unanimously nominated to the post of president of the Austrian National Bank by the council of ministers on 12 July 1988 announced that he would no more be an "easygoing" head of the national bank than his predecessor [Stefan] Koren was. "Should the need arise," Klaufs told DIE PRESSE in an interview, "I will sound the alarm." At the moment, Klaufs said, no such need exists because the budget overhaul necessary for the continuation of [Austria's] hard currency policy is right on course.

Notwithstanding the circumstances surrounding his nomination as a compromise candidate, Klaufs, a member of the OeVP, said he would administer his duties "in a non-partisan and objective spirit without regard to immediate party policy considerations." He added that "it was personally extremely important" to him to have earned the confidence of the government as a whole. As in the past, Klaufs said, he means to develop the bank's monetary and fiscal policies on the basis of full consensus.

The national bank law calls on the bank "to respect the economic policies of the government." Klaufs views this not merely as an obligation to support these policies. "In an emergency," he said, "the national bank may also act as a countervailing force by taking whatever steps it deems necessary for the attainment of its goals." Coordination between the bank and the government has worked well in the past, he added, and should remain so in the future.

At present, Klaufs sees no need to sound the alarm. "Our starting position is not bad," he said. "We are about to experience a significant economic upturn; the inflation rate is low, our trade balance is in good shape and the budget overhaul goals have been set." Nor does Klaufs expect the "sound and fury" relating to the 30 billion schillings in extra spending requested by the different ministries to pose a serious problem for the 1989 budget.

Despite its importance for finalizing the budget, the sale of the government mint by the finance ministry to the national bank for 8 billion schillings has "nothing to do with the budget as such" in Klaufs' view. "From a currency policy point of view," he told DIE PRESSE, "having the national bank assume responsibility for the circulation of both paper money and mintage makes a lot of sense in the area of controlling money supply."

Klaufs believes that the initial steps taken to bring the budget back in line must be followed by additional measures. The second stage of the income tax reform, for example, should provide for equal taxation of income from whatever source "without regard to previously unaffected taboos." For another thing, Klaufs said, the present levels of deregulation and privatization should not be "frozen."

Klaufs said that the recent hike in the discount rate ordered by the national bank should not be interpreted as a signal for a general rise in interest rates. "I propose to maintain the policy of supporting the economic upswing with the help of low interest rates as long as I can," Klaufs said, in pleading for "patience." The rise in the discount rate was not addressed to the Austrian domestic economy, he said, but was motivated by foreign trade considerations.

Referring to the proportional representation of the various political parties among the National Bank staff, Klaufs (who will assume his new post on 1 September) said he thought "the time has come to introduce a major flexible personnel policy," adding that he will be trying to earn the necessary trust of all the groups concerned. Professional expertise and personality factors would determine the selection of top officials, he said. Under these circumstances, party affiliation would not bar anyone from pursuing a career at the bank.

FEDERAL REPUBLIC OF GERMANY

Soviets To Receive Management Training in Hesse

36200188b Duesseldorf HANDELSBLATT in German
1 Jul 88 p 10

[Excerpt] FRG help in the training of managers in the Soviet Union has been the subject of numerous conversations thus far; the most recent occasion being the session of the German-Soviet Economics Commission of Martin Bangemann, federal economics minister. The first practical step is now being taken by the Federal State of Hesse.

Alfred Schmidt, economics minister, signed a communiqué in Moscow on Thursday, the contents of which makes it possible for 10 young Soviet experts in the area of the energy industry to spend 1 training year in the Federal Republic.

The minister intends to win the support of interested enterprises as well as that of the academies for marketing both in Kassel and in Frankfurt for his project. At the beginning of next year, the training period is to begin. The Hesse budget contains an entry of DM300,000 to cover "medium-range strategic marketing measures" in favor of business with Russia. The main burden will fall on the economy.

Pioneer services in proposing the training program were performed by the Nukem Co. of Hanau which, following the negative headlines of the past, is devoting more of its efforts to the Soviet market. The enterprise, as a partner of the State Committee for the Utilization of Nuclear Energy, provides facilities and processes for handling nuclear waste. Within the framework of treating radioactive waste, the Soviets are very much interested in the sterilization of nonreusable medical items.

05911

Schleusser Predicts FRG Government Will Win With Tax Reform

36200190b Munich SUEDDEUTSCHE ZEITUNG in German 7 Jul 88 p 1

[Article by Hans-Ulrich Joerges: "Duesseldorf: Bonn Will Win With Tax Reform. Finance Minister Schleusser Estimates DM2.7 Billion Surplus in Early 1990's"]

[Text] North Rhine-Westphalia's Finance Minister Heinz Schleusser (SPD) estimates that, in the early 1990's, the Federal Government will not have suffered any losses as a result of the big increase in the excise tax but that, on balance, it will benefit from the tax reform. Schleusser stated before the press on Wednesday that the FRG Government, upon balancing its revenue shortfalls from the tax reform and its additional revenues from the higher excise tax, would realize a total surplus of DM2.7 billion in 1990, 1991 and 1992. The Laender, on the

other hand, would have to pay about DM25 billion in these 3 years: North Rhine-Westphalia some DM7.1 billion and the municipalities at the Rhein and Ruhr rivers some DM2.7 billion. Schleusser called that "almost a political scandal."

That means that there would be nothing left from the FRG Government's announcement that the burden imposed by the tax reform would be equally shared by the Federal Government, the Laender and the municipalities. The minister said the planned tax increases on petroleum, tobacco and insurance as well as the introduction of a tax on natural gas would only benefit the Federal Government, i.e., starting in 1989, the FRG would have a revenue surplus of DM10.2 billion a year. After the tax reform goes into effect, the Federal Government would realize a revenue surplus of DM1.2 billion in 1990, DM800 million in 1991 and DM700 million in 1992.

At the same time, Schleusser expressed his gratitude on behalf of the entire Duesseldorf cabinet for the involvement of Minister President Ernst Albrecht (CDU) of Lower Saxony in support of Bonn's planned DM2.4 billion-a-year structural fund for structurally weak Laender. Albrecht's success, he said, is a "big help" for the distressed regions. North Rhine-Westphalia is expected to get some DM800 million from the fund; the money must be spent "exclusively on investments." The idea is to invest primarily in local projects, such as the construction of sewage treatment plants and the repair of the sewage system.

But Schleusser also said that "one idea" would be to use some of the funds from the structural fund to finance the "Initiative for the Future of the Coal and Steel Regions" (ZIM), for which funds from the Land budget have already been earmarked. However, additional assistance from Bonn would not only benefit the coal and steel regions, but "the entire country." On the other hand, Schleusser saw "no room" for new civil service hiring. Hence he rejected the demand of the Public Service, Transportation and Communications Union (OeTV) to "significantly increase" the personnel resolutions in the 1989 draft budget in the aftermath of the favorable collective bargaining agreements the civil service has been able to negotiate. Achim Rohde, head of the Duesseldorf FDP faction, demanded that the money from the Bonn structural fund must "not be squandered during the current budget year," but should be spent on science, research and schools.

FDP politician Irmgard Adam-Schwaetzer used the Bonn controversy concerning financial policy as an opportunity to question the FRG Government about its ability to govern. At the same time, she expressed the view in an interview with the Hessian radio that the additional burden the planned new crude-oil tax would place on the citizens—which would cost the average household about DM11.00 a month—would be "only just" acceptable.

The state minister in the Foreign Office and candidate for the FDP chairmanship noted, according to Radio Frankfurt, that tying Laender requests for financial assistance to passing the tax reform is "completely inappropriate." The CDU and CSU prime ministers should prepare themselves for questions as to the future of the union and its ability to govern.

The chairman of the Bavarian FDP in Munich asked the Bonn party leaders "to make, if necessary, a firm push towards ending the immense, useless controversy" about the tax reform. A statement also says that efforts must be made to enable "at least citizens of average intelligence" to understand the financial policies. Consistent change must be "a matter of existence for the coalition."

In the meantime, the EC Commission is reviewing the Bonn plans to levy a tax on crude oil. A spokesman of the EC authority in Brussels said that there is, however, no legal basis for proceeding against the German tax plans. Also, the Commission is not planning to initiate formal proceedings against the FRG. The Commission is merely studying whether the planned crude-oil tax would affect intra-EC trade or restrict free competition among the various types of energy.

7821

Lambsdorff Supports Haussmann as New Economics Minister
*36200190a Munich SUEDDEUTSCHE ZEITUNG
in German 8 Jul 88 p 25*

[Article by Gerhard Hennemann: "Haussmann To Become New FRG Economics Minister. Lambsdorff: Giving up Economics Ministry Is Out of Question for FDP"]

[Text] If elected, Otto Count Lambsdorff, FDP economic spokesman and candidate for the office of FDP chairman, is determined to propose to the Federal chancellor that FDP Secretary General Helmut Haussmann succeed Martin Bangemann as FRG economics minister. This is what Lambsdorff told the SUEDDEUTSCHE ZEITUNG in response to remarks by Chairman Dieter Murmann of the CDU Economic Council that the CDU has a claim on the future Economics Ministry in Bonn because of its "more consistent and straight-line" economic policies.

In an interview with the DGB weekly WELT DER ARBEIT [World of the Week], Murmann, in his capacity as the new chairman of the CDU Economic Council, claimed Bangemann's succession in the Economics Ministry for the CDU. Murmann confirmed that the Bonn coalition had held interdepartmental discussions early in the legislative session. However, he stated, that could not be a sufficient reason for the FDP to hold on to the Economics Ministry for several more years "as a matter

of course." This view, Lambsdorff emphasized to the SUEDDEUTSCHE ZEITUNG, is in complete contrast to recent views expressed by the CDU Economic Council.

Murmann's predecessor, Heinrich Weiss, left his office with a complete stock-taking. The report stated that the CDU has neither a well-ordered philosophy nor outstanding economic leadership personnel. Lambsdorff: "How Mr. Murmann gets the idea, against the background of his predecessor's experiences, that the CDU must provide the future FRG economics minister, is beyond me."

Lambsdorff said Murmann could count on his complete support if he succeeded in "refreshing" the agreed understanding in the CDU. Lambsdorff: "They should not only talk of Ludwig Erhard in the Frankfurt opera, but also expound their political philosophy at other opportunities, such as during discussions of the cartel-law amendment. That would facilitate many things in the coalition." Lambsdorff left no doubt, that, if elected FRG chairman of the FDP, he would recommend to the federal chancellor that FDP Secretary General Helmut Haussmann be appointed to succeed Martin Bangemann, who will move to Brussels as EC commissioner. So far, Minister Irmgard Adam-Schwaetzer, who competes with Lambsdorff for the FDP chairmanship, has avoided any public statement on this personnel issue.

The existing coalition structure, where the FDP is represented in one of the major economic areas, must be maintained at all costs, Lambsdorff emphasized. The FDP must have the opportunity to demonstrate effectively its economic competence in such an area externally also and to handle it internally. Therefore, for the FDP to give up the economics ministry is out of the question, particularly since this would also be "life-threatening nonsense" for FDP chances to be elected in the next federal elections.

The CDU, the count said, would provide the FRG finance minister, and this is the "way it should be." The finance minister has sufficient economic policy-making opportunities that go significantly beyond those of the FRG economics minister both in terms of the instrument and the ministry's competence to formulate laws. It is up to the CDU, he added, to make something useful out of them. If, in addition, they would do so "in a parallel and orderly clean manner," that would benefit all government work.

Lambsdorff warned against provoking any fights in the coming weeks of the Bonn summer recess over who, in the near future, would provide the FRG economics minister. Rather, the new chairman of the CDU Economic Council should address topics "that are part of his competence and do not go a day beyond them."

07821

SPD Approves 30-Hour Workweek

36200188a Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German
29 Jun 88 pp 13-14

[Article by Kg: "The SPD Favors 30-Hour Week—Economic Policy Proposal by the Presidium; High Earners To Make Solidarity Contribution"]

[Text] The SPD wants to fight unemployment primarily through an enforced policy of curtailment of working time. This idea is discernible from the policy paper of the party Presidium on economic policy, which the SPD Party Congress is expected to approve at the end of August/beginning of September in Muenster. The long-range goal is to curtail working time to 30 hours per week and cut the workday to 6 hours per day.

Deputy party chairman Oskar Lafontaine said, following the meeting of the Executive Board, that he felt vindicated in the proposal. In the spring, Lafontaine had provoked a controversial discussion within the SPD with the thesis that curtailment of working time within the framework of progress in productivity should also be striven for without full wage compensation. The proposal now states that the SPD favored a general curtailment of working time without reducing wages. The SPD also favors the promotion of tariff contracts covering working time curtailment, the costs of which exceed progress made in productivity. In so doing, it has in mind wage cost subsidies taken from tax revenues, whereas Lafontaine in his theses wanted to balance the additional costs borne by employers through wage renunciations.

It is to be anticipated that the party congress will primarily continue to argue over the thesis of working time curtailment as well as over tax policy and quota regulation for women. The compromise paper of the Executive Board states that sharp differentiations must be made between curtailment of working time within the framework of the distribution arena and the redistribution of work and income. Appeals are addressed to trade unions and employer associations to also deal with "large steps" involved in the curtailment of working time. The question as to the extent to which wages and salaries could be increased in combination with working time curtailment could be answered in a varied manner depending on income groupings, according to the paper. The earners of higher incomes could more easily stand to make a solidarity contribution than could the lower-income groups.

The SPD considers working time curtailment, the cost of which would exceed productivity gains, to be possible. In individual cases, wage cost subsidies from public funds are thinkable, states the policy paper. The paper, which was worked out by a party commission, says first that cost increases experienced by employers would have to be intercepted by the public treasury. The economic policy spokesman of the SPD parliamentary group,

Wolfgang Roth, said on this topic that a general taking over of the costs could not be financed; the situation in the individual branches and regions would have to be taken into account. The proposal states that wage cost subsidies can be coped with because fuller employment would increase public revenue and would lower the costs of unemployment.

The SPD would like to extend and improve the preretirement law, to limit overtime by law, and to bring about equality between women and men in the working world. In the future, the intent is for employees to be able to freely select their work hours and part-time hours. Because the SPD is in favor of a socially ensured selection of work hours, it would reject the flexible work hours proposal promoted by the employers; this is said to only be shifting employer risks to employees.

Roth and Lafontaine refer to the fact that the demand for a surtax to be levied on high wage earners had been abandoned. The politically irritating word would not be heard anymore. But it means that the financial action capabilities of the Federation, the states, and the communities have to be permanently assured and more justice in distribution must be achieved.

Top earners are to be involved in financing the tasks of the future through a tax-oriented solidarity contribution. Obviously, the burdening of the "better earners" is to be taken into account in the tax structure. Otherwise, Lafontaine said, approximately 90 percent of employers would be burdened with having to pay [higher] income taxes. According to the proposal, capital investments which would result in the creation of new jobs should receive tax-favored treatment. As a first step, a tax-free investment credit for small and mid-size enterprises is recommended. Across-the-board tax reductions are rejected by the Social Democrats; the intent is to concentrate exclusively on raising the basic zero-bracket amount. The party congress is expected to activate a commission to promote the process of clarifying questions of tax policy within the party.

To combat unemployment, an immediate program is called for. At its center stands the promotion of public and private investments, primarily aimed at improving environmental conditions, as well as raising the qualifications of employees. For this purpose, the financial action area must be expanded. The SPD wants to have an action-capable state.

05911

Decrease in Illegal Employment of Foreigners

36200188c Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German 8 Jul 88 p 13

[Article by hal: "The Illegal Employment of Foreigners Has Diminished—Government Refers to Stricter Oversight; But There Are More Rental Workers; Results of Better Economy"]

[Text] Existing legal instruments are adequate to effectively combat deficiencies in the legal transfer of employees.

Legal amendments and organizational improvements have also led to the decline in the illegal employment of foreigners. This can be seen from the sixth report of the Federal Government on experiences involved in the application of the employee-transfer law, as well as regards the effects of the law to combat illegal employment. The cabinet has now dealt with this report.

The number of rented workers reached its peak in 1987 with 79,529, following a decline to 15,400 for the period 1980-84. Measured in terms of the number of employees required to pay social security taxes, however, this amounts to only 0.38 percent of all employees. The Federal Government sees the reason for the increase in the slowly recovering economy. During the upswing, many enterprises first resorted to the use of temporary employees before establishing permanent jobs. According to the employment promotion law of 1985, an employee can be assigned to the same employer for a period of 6 months. The number of enterprises holding a permit from the Federal Labor Office authorizing them to engage in worker rentals has increased appropriately. It rose from 1,200 at the beginning of 1984 to 3,150 by the end of last year. The reason for this, however, is not only the improvement in the economic situation, but, according to the government, the tightening of the law according to which many enterprises only wish to work through a legal renting agency. No special problems were found to exist in monitoring the legal agencies; consequently, there were no gaps in regulation.

Illegal transfers of employees last year resulted in 2,412 monetary fines (in 1984, there were 863 such cases); the sum of the fines amounted to almost DM24 million. It can be anticipated that the number of violations which did not become known was higher than the number of uncovered cases. The Federal Labor Office investigated 2,733 cases in 1987; in 1984, they looked into 4,008 cases of illegal employment of foreigners. The government feels that the decline actually reflects the drop in the employment of foreigners. Whereas in 1980, more than 14,000 foreigners wanted to immigrate illegally in order to find work, over the last 4 years no more than 1,400 per year were turned back at the borders. The Federal Government attributes this development to tougher penalties for illegal employment and employee transfers which have been on the books since 1985. Moreover, the Nuremberg branch of the Federal Labor Office increased the number of support points specifically designed to combat illegal employment from 25 to 29. Whereas, in 1984, 258 officials were dealing with combating illegal employment, that number rose to 377 last year. Through the use of computers, it was possible to uncover around 246,000 cases of unjustified social security receipts amounting to overpayments of around DM82 million from 1984 through the end of 1987.

However, it is said to be particularly difficult to monitor the transfer of employees from abroad. Dutch employment agencies are the best organized and frequently infiltrated British nationals or Irish nationals into the Federal Republic via the Netherlands. Key points

involved in the illegal renting of labor are in the construction industry and the metal processing industry. But also highly specialized technicians in the engineering business and in electronic data processing were said to be involved on an increasing scale. The Federal Government considers the social security identification document, which is expected to be introduced next year, to be a supplemental measure in combating illegal employment.

05911

FINLAND

Financial Market Expected To Reach International Standard

36200187 Duesseldorf HANDELSBLATT in German
14 June 88 pp 21-22

[Article by Ossi Hynninen: "Finland's Financial Market Soon To Correspond to International Standard: Thaw in the Air—Dynamic Development May Continue"]

[Text] The liberalization of Finnish financial markets has undergone significant changes over the last few years. The Finnish currency market in particular has been subjected to dramatic change. The easing of interest regulations, the removal of cash reserve deposits on the banks' certificates of investment, and the open market trades introduced by the Suomen Pankki—Finland's central bank of issue—have spurred very rapid development.

Over the past year efficient fixed-term interest markets have developed in Finland; this has made it possible for the Finnish economy to insure short-term interest risks both in lending and borrowing, and has thus provided an improved basis for calculation. In the competition between various forms of credit for Finnish businesses the credit linked to the Helibor (Helsinki Interbank Offered Rate) has recently struck a very responsive chord.

The financial world understands by Helibor credit interest for the top names in the Finnish business world. This is the form in which the majority of all new credit extended to the economy was provided. From the point of view of Finnish business banks, the development is regarded as very positive. Credit institutions can eliminate their interest risks in financing such credit in the money market. The currency market traders in Finnish banks are currently working feverishly at developing OTC markets for interest options. The background for these innovative endeavors is the new stock option market; in currency trading there is a fear that interest options might become a monopoly over these new Finnish option markets if they themselves do not take rapid action.

But today such fears appear groundless. The pending law regulating option trading will in all probability not result in blocking the creation of a free market in interest options as planned by commercial banks.

In the Finnish financial market, which is being subjected to dynamic changes, the focus is shifting gradually to capital markets. However, the road to efficiently functioning and liquid interest markets with swap transactions is still a very long one. Lending on the basis of the Helibor transfers the interest risk once borne by the banks to the customer. A possible raising of the Helibor interest to something like 20 percent would have fatal consequences for borrowers in Finland.

Since changes in Helibor interest rates have been relatively modest so far (see also the report on Finnish policy concerning banks of issue), swap markets in Helsinki's financial quarter have developed relatively slowly too. Accordingly, the interest in swap transactions necessarily remained relatively small. It is to be hoped that these interest swaps, already very familiar and much used on the international level, will develop without needing a catalyst like the interest shock of August 1986.

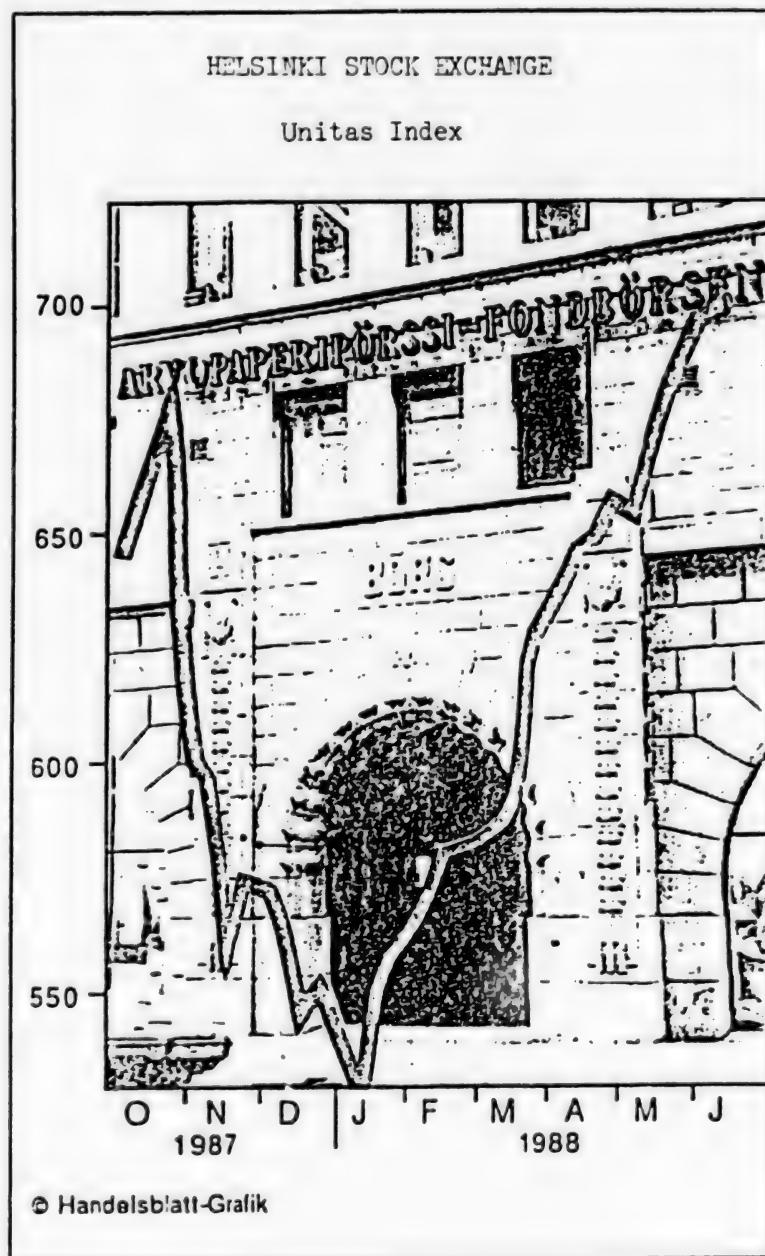
In the Finnish loan market, loan origination activity was significant in 1987, particularly for issues with special rights (including convertible and option loans), which last year attained a remarkable volume by Finnish standards. Investors set off something like euphoria in acquiring these instruments.

After the October stock market slump, however, loan origination virtually came to a halt. For a time these bonds even acquired an undeservedly bad reputation. After the market upswing, this type of paper was once again high in the favor of investors. It may be assumed that these instruments will continue to be highly favored by investors.

The growth in sales volume on the Helsinki stock market was enormous. For example, the total volume on the stock market in 1987 was 40 times as high, and the volume of stock rights over 70 times as high as in 1980. In the first third of this year, the total volume rose by an additional 19.1 percent in comparison with the corresponding period in 1986.

The volume of transactions completed on the stock exchange for debt instruments, on the other hand, has dropped significantly. This certainly does not mean that loan transactions are declining generally in Finland. On the contrary, since loan business is now being handled almost exclusively outside of the stock market, between banks—above all the larger transactions—the volume of trading on the stock market in these securities is correspondingly lower.

The securities exchange in Helsinki will nevertheless in all probability make every effort to recover for the stock market the major transactions concluded externally by



The Finnish stock exchange is the only European exchange which attained a new record high after the "crash."

the banks. Long-term provision of capital for Finnish business is still carried out by banks in the majority of cases. The equity-to-debt ratio for Finnish business is generally noticeably lower than the international standard.

Previously published details about the anticipated tax reform for private individuals indicate that the government is on the right path. For it must be assumed that

discrimination between various forms of investment will be reduced, possibly even eliminated. The present system gives a tax advantage to certain investments over others. And this means, of course, that capital investors are also treated differently—which is to say, more unjustly—in tax matters.

Tax reform may well finally iron out the worst disparities in this area, and thus spur long-term investments by

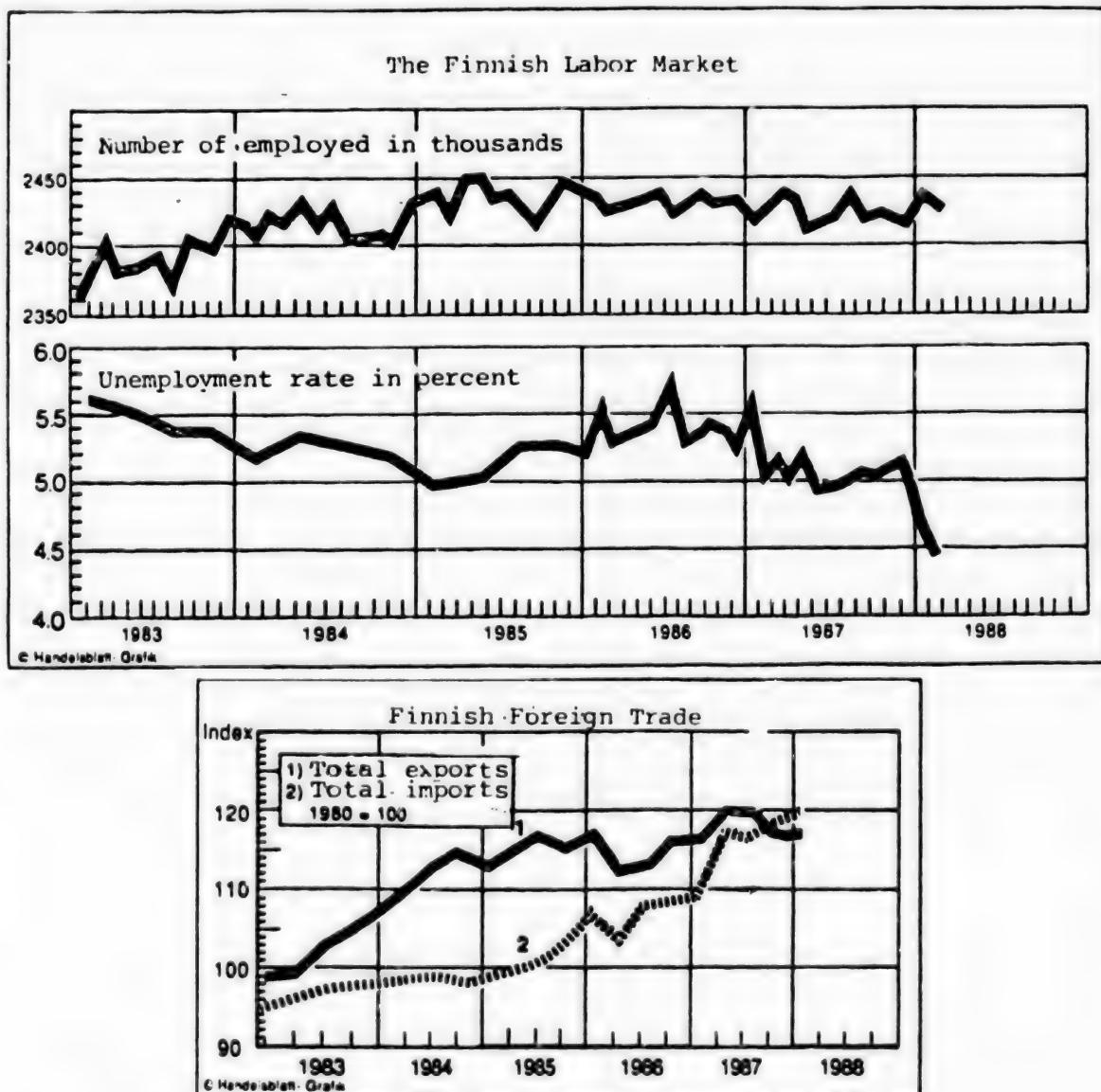
Finnish capital investors. But Finnish capital markets may not be given decisive impetus until after the proposed transitional period starting in 1992, if, as anticipated, capital investments are then taxed more equitably. All in all, however, the government seems to be going in the right direction with its plans.

In the next few years an enormous volume of capital, at present still invested in the tax-free debt instruments issued by the Finnish government and by the mortgage banks, will become available. Most of this money will probably find its way to the stock market.

The small number of listed securities on the stock market can also be gradually built up. The exchange listings in Helsinki have been noticeably expanded—either directly,

in official trade, or via the OTC index—for example, by mortgage institutes, a variety of banks, and rapidly expanding medium-sized businesses with an interesting palette of products.

Numerous Finnish companies are planning a change in existing business structure, and in the process there is constant reference to the probability of a subsequent listing on the stock exchange. In addition, many state businesses will be privatized in the years to come, and their stocks will then be listed on the stock exchange in Helsinki. Even today, stocks of some Finnish businesses are being quoted on foreign stock exchanges. This trend is continuing; the number of businesses and stock exchanges affected is constantly growing. The government's resolution of March 1987 to raise the unrationed allowance for permitted foreign holdings from 20 percent to a maximum of 40 percent supports this trend.



In Finland, it is customary for companies to issue many different series of stocks with different rights, for example in regard to voting rights. This practice may be maintained. The price difference between stocks with full voting rights and stocks with limited voting rights may increase, however.

The greatest interest on the part of capital investors may be for businesses heavily involved with economic restructuring, and for takeover targets and acquiring companies. In both cases, the price development of the stocks may be very positive, at least within a specific time period.

All the new businesses to be publicly traded will also attract great interest in the months and years to come, at least if they have enough patience and manage to set up their conditions for issue in such a way that the price-to-earnings ratio remains very low.

Two different institutions have created futures and options in Finland: one market is supported by Suomen Optiomeklarit Oy (SOM), the other by Suomen Optio-poerssi Oy (SOP). SOM deals in buying and selling options and futures on the FOX exchange. SOP uses a portfolio of ten stocks as the basis for an options contract.

SOM would like to further expand its palette of offerings by buying and selling options and futures on individual stocks, as well as interest options and interest rate futures. It is very probable that these products will greatly increase the volume of trade both on the stock market and on the Finnish debt exchanges, since the market makers or dealers in these contracts are forced, because of the limitation of risk, to participate actively in the market for instruments based on options and futures.

As well as the law about securities for regulation of stock market trading, a law regulating options and futures trading is in preparation. This will improve the position of capital investors and make Finnish securities interesting and secure objects of investment even abroad.

The increasingly brisk trading in securities has in the past frequently led to noticeable delays in transferring stocks and bonds between brokerage firms. A firm for clearing securities, called APC-Keskus Oy, is now being founded; probably all brokerage firms will be associated with it. This is an intermediate stage which will facilitate the switch to "paperless" electronic markets at a later date—in all probability in the 1990's. There are not only delays but also numerous errors in the delivery of securities, some of them caused by the delays themselves. The centralized securities clearing house will improve and speed up service. All this will also be to the advantage of foreign investors.

The anticipated explosive expansion of the OTC exchange and the regional stock markets in Tampere and Turku are to be incorporated into an OTC exchange which encompasses all of Finland, similar to NASDAQ in the United States. It can only be hoped that this model will gain broad support among the participating financial institutions; indeed, Justice Minister Matti Louekoski himself recently declared his support for the undertaking.

Finnish currency and capital markets have experienced a dynamic development in the last few years. For the next few, a continuation of this trend may be anticipated. In the 1990's the Finnish financial market will be so broad that it can reasonably stand comparison with any international market. And when the trend of the Bank of Finland in the direction of further liberalization of capital movement is taken into account, it can be claimed with satisfaction that investment possibilities for foreign investors in Finland are being brought up to the standard which they find on international markets.

09337

PORUGAL

Difficulties Arise in Construction Contract With Libya

35420110b Lisbon EXPRESSO in Portuguese
2 Jul 88 pp 1-2-E

[Text] Due to some hesitation on the part of Portuguese entities, for both political and economic reasons, it has not yet been possible for the construction company Sociedade de Construccoes Soares da Costa to sign a contract with the Libyan government in the amount of 30 million contos—the highest sum ever for a Portuguese export contract.

According to what EXPRESSO has learned, Soares da Costa and the government of Libya had resolved bilaterally all pending questions: contract conditions, terms, payments, etc. From what has been agreed, it is known that the project envisions the construction over a period of 3 and ½ years of 49 school buildings with the participation of skilled and medium skilled Portuguese labor (total employment of 1,000 workers, many local or from neighboring countries). Payment is directly guaranteed by the Libyan government, almost all in foreign currency, with an advance of 15 percent on the total value.

The contract was won by Soares da Costa in international bidding, in which seven companies from as many countries participated. The entire project for the construction of 113 schools was divided among the three contestants offering the best conditions, with the Portuguese company winning the largest share.

Problems of Bank Guarantees

At present, sources close to Soares da Costa are exhibiting some concern, because after 2 weeks of contacts and negotiations (having already resolved specific contract problems) they have not yet been able to reach the signing stage. The obtaining of certain bank guarantees is apparently encountering some "hesitations" on the part of Portuguese political and economic entities, which fear commercial involvement with Libya. On the one hand, there is the political question; repercussions of the American raid on that Arab country are still being felt. On the other hand, there are those who look upon Libya as a "high risk country" from the economic point of view and are fearful about future payments.

The Soares da Costa company itself seems to be the most confident. Although they do not mean to minimize the situation, their representatives have gone to see the Libyan reality on the spot more than once, and they find that "at least today things are very different from what they were" when that country made the front pages of the world press. They pointed to the desire expressed by Libya for better commercial and diplomatic relations with Portugal, suggesting that this contract if it works out well would make "a good contribution" to this end. Nor do they neglect to mention that Libya, as an important producer of petroleum, could be open to certain compensation deals to facilitate payment on large contracts like this one and so diminish the margin of risk.

It was mentioned that if signed this will be Soares da Costa's first contract in Libya, although the company has had long experience in doing business with Arab countries, notably Egypt.

12942/09599

SPAIN

Economic Overview: Preparations for 1992

Madrid

35480108 Madrid MERCADO in Spanish 1 Jul 88 p 36

[First three paragraphs are introduction]

[Text] From now until 1992, the situation in Spain will vary considerably, from one autonomous community to another, and from one city to another. MERCADO's correspondents have taken the pulse of the autonomous reality and the future plans that are already under way.

A Spain that will be able to compete after the opening of its borders needs a renewed infrastructure and an economic injection for the agricultural and industrial sectors, because after the numerous events of all types held in Spain, from an Olympiad to a World Exposition, and including capital status for world culture, an effort will have to be made to prevent all the investments from being forgotten.

At the Apex of the Future

Madrid has become the third apex of the great celebration being planned for 1992. At that time, Spain will be the center of world attention, and the state's capital has assumed its leadership role, along with Barcelona and Sevilla, having been designated by the EEC cultural ministers as the European Cultural Capital. The occasion is an excuse to renovate the city and devise a new economic plan for the autonomous community.

The important infrastructural renewal that Madrid is concentrating in the cultural area will be supplemented by a group of initiatives aimed at putting Madrid, in the words of Mayor Juan Barranco, "in a European context in which Paris, London, or Milan has begun to specialize in the supply of certain goods and services." And it is precisely to the services sector, together with the more advanced economic sector, that the efforts of the city hall and autonomous community are being directed.

Each year, 450 conventions, fairs, etc. are held in Madrid, making it the fifth-ranking city in the world based on the number of such activities. And the prospects point toward that line of activity. In 1990, 4 million square meters will be converted into the most modern fairgrounds, called "Field of the Nations," on which will be constructed, in addition to a Palace of Congresses, luxury hotels, service buildings, a World Trade Center, and quite possibly, the European Office of Brands, if Madrid is finally chosen as headquarters for this agency, a designation for which it has great chances of being selected.

But this is only a part of the framework being planned for what will be the Madrid of the year 2000. Since the beginning of this year, the Promadrid Society, comprised of the city hall, the autonomous community, and various private entities, has been developing a strategic plan covering the various areas of the Madrid economy, as well as other social, demographic, and cultural aspects, which will make it possible to chart the foreseeable future of Spain's capital.

Meanwhile, the rejuvenation of the city has already begun. A plan to renovate Madrid, which was submitted last January, has initiated the renovation of 20,000 dwellings, with a budget of 19 million pesetas over 4 years, that will allow for the recovery of the city's historic center. The plan calls for five programs involving architectural adjustments of historical and cultural interest, seven other programs for intervention giving preference to areas of social concern, and a public rehabilitation program for urgent social and urban renewal requirements.

Urban integration and economic development are the two challenges confronting the metropolis of the future. For this purpose, the communications network is even more important than the face-lift to which the city will be subjected. The plan for access routes to Madrid, with

a budget of 45 million pesetas, will go into effect during the second half of this year. And, in 1992, three automobile highways will connect with the European expressway system, and will shorten distances to the capital of Portugal; just as the railroad system will shorten them with high-speed trains. Barajas airport will have its installations expanded considerably, and a second civil airport is planned in Getafe, making use of the land of the present military base and part of that belonging to CASA [Aeronautical Construction, Inc], for the purpose of receiving small capacity or private type flights. By 1992, Madrid will be closer.

Barcelona

35480108 Madrid MERC4DO in Spanish
1 Jul 88 pp 37-39

[Article by Alvaro Hernandez]

[Text]

The City Becomes Open to the Sea

1992 will represent for Barcelona the opportunity for changing the city's appearance drastically.

The city hall will promote two major fundamental projects: the construction of the "belts," and of the "Olympic Village." The immediate effect of these projects will be the displacement of the city's center of gravity toward the seacoast zone, and an improvement in the road connections between the two great enclaves of the Catalonian capital: the sea and the mountains.

The change that Mayor Maragall wants to foster is based on the opening of a new residential section in the maritime area, just where Poble Nou is currently located, and on the rehabilitation of the port area, the zone known as Barceloneta. As for highway communications, two tunnels will be opened up in the mountains: Vallvidrera and Horta; which will connect with other areas in order to form two major communication centers joining Barcelona's east and west with those where the city's two future technological parks, to be called Valles Technological Park and Biomedical Park, will be situated.

New Diagonal

One of the historical projects to be undertaken within a short time will be the completion of Diagonal Avenue. Barcelona is a large rectangle cutting the Diagonal into two halves, each forming a triangle. At present, the entire city is not cut, and the municipal plan is to widen that road as far as the sea, without cuts, so as to connect with what is to be the Coastal Belt.

Also to be remodeled is Tarragona Street, connecting the northern zone of the Diagonal with the Barcelona Fair zone and Montjuich. This street will be for exclusively commercial use. The demolition of the police building at the end of the street it is planned to allow for the construction of some unique edifice.

And, finally, the major Barcelona roadways: the belts. This will be a project jointly financed by the city hall, the community of associated municipalities, the Generalitat [Catalonian Congress], and MOPU [Public Works Ministry]. The construction of these belts has been divided into several sections, one of which is already finished, with many others in progress.

The investment in civil construction amounts to 67 million pesetas. Two belts will be constructed, going through the mountain (Second Belt) and sea (Shore Belt) areas.

Boixados Move

Barcelona is currently awash with plans, figures, budgets, and financial projections. There is virtually not a single corner of the city left without investments of some kind being programmed for it. A sizable portion of these initiatives will end up as what they call "vol de coloms" here, that is, capers in the air. But the most interesting and most controversial project will be the Olympic Village. Ramon Boixados heads a team of 17 persons working for Olympic Village, Inc (VOSA), a municipal company with the legal form of a private association, so as to be able to gain free access to the capital markets and have greater freedom of action. The future Olympic Village will have 2,500 dwellings, which will house 15,000 athletes. VOSA is negotiating with a private firm on the implementation of a housing project, forming a mixed company, to be known as Nueva Icaria, Inc (NISA), with its sights set on their remodeling for private bidding and the entry of the already remodeled dwellings onto the market, at a cost of about 15 million pesetas for every 100 meters constructed.

Over 47 million pesetas will be invested in the future village, for infrastructure alone. VOSA has already designed the financial plan: the financing of the infrastructural work will operate against three credit lines. The first is jointly directed by the Santander, Progreso, and Morgan banks. The competitive biddings have flexible interest, and are to be carried out based on blocks of 3 million pesetas. The second line is with EIB [European Investment Bank], amounting to 10 million, 50 percent in pesetas, and the rest in ecus. The main sewage channels will be financed with this credit. Moreover, a credit has been signed with the Local Credit Bank for 5.384 billion pesetas, expandable to 11.6 billion, for the 1987 and 1988 certifications.

Olympic Hotels

The future Olympic Village will have two hotels, a sports port, and a commercial zone. The hotels have various "fiances," prominent among which are Hotel Owners Union and the Sikmore, Owens, and Merrill group. The latter constitutes the leading industrial engineering company in the United States, which advised on the construction of the Aca Bank of Bilbao building, and built the new London Stock Exchange. The City Hall also

plans to remodel those areas adjoining the Olympic Village, moving the Zoological Park to a new location. Two other buildings in the area will also be remodeled: The "Mercat del Peix," or Fish Market, will become Badminton Stadium, and, according to Mayor Maragall, the master builder Fontserer's edifice, a "civilian cathedral," according to Mayor Maragall, will house the future Museum of Ecology, which will predictably be sponsored by the Bank of Barcelona.

Castilla y Leon
35480108 Madrid MERCADO in Spanish
1 Jul 88 pp 39-41

[Article by Manuel Rodriguez]

[Text]

Defined Objectives

Castilla y Leon has recently been declared a priority zone for economic promotion. This classification has been obtained through the auspices of the central government and the pertinent EEC organs. With a view toward 1992, the Castilian-Leon community harbors hopes of establishing of multinationals in its territory.

In any event, the regional administration's efforts are being concentrated on reinforcing sectors such as coal mining, the autonomous community's main source of wealth, which employs nearly 30,000 persons and has its main center of operations in Leon Province, with two key companies, Ponferrada Iron and Steel Mining, and Basque-Leonese Colliery. Both have over 8,000 workers. In this connection, and looking toward future years, the Castilla y Leon Junta has established a decree for aid to mining totaling over 1 million pesetas. Another issue is that of safety in the mines, questioned by the unions. The slippage of ore deposit side faces has been the main cause of fatal accidents in this sector during the past 2 years. In this area, the aid provided by the regional government will go directly into the hands of the business owners, something that has evoked widespread protest among the unions.

Apart from mining as a leading source of wealth, other sectors, such as manufacturing, seem to be on the rise, although commerce accounts for a sizable volume of work.

Regional Incentives

Blocks of assistance have been arranged by the EEC, to give an incentive for the business projects aimed toward 1992. This aid has been supplemented by the central and regional administrations.

Two groups have definitely been established in this region. The first group will receive a subsidy of up to the 50 percent requested for the business projects submitted.

Included in this group are the less industrialized provinces which, according to the grading based upon GDP and per capita income, are Zamora, Soria, Avila, Salamanca, and Leon. This list has led to protests from other provinces wishing to be included on that list, so as thereby to be able to opt for the 50 percent subsidy. In connection with this, the region's chambers of commerce have conveyed to economic council member Miguel Perez Villar their disapproval of the distribution, also requesting that Castilla y Leon receive the authority, in this area, to negotiate all matters directly with the autonomous community.

Fasa Renault

The automobile company whose activity is concentrated in Valladolid and Palencia has established the region as one of the "leading" communities in the automotive economic sector. Fasa Renault, with 1992 in mind, has devised an industrial plan with which to attempt competition with guarantees. This strategy calls for the elimination of 6,000 jobs, through early retirements and voluntary resignations with incentives. The company intends to raise its production, based on the new technologies, and to reduce its current payroll of 20,000 workers in the two centers.

Fasa Renault's strategic goals for 1992 are commercial reactivation, improvement in quality level, and human resources management.

This social plan is divided into five sections: a personnel reduction plan, a work flexibility plan, a training plan, an executive management plan, and a motivation plan.

The current rate of labor for 100 vehicles stands at about 500 men. The competition's goal for 1992, on the other hand, is to use about 300 men for 100 cars. For that reason, the automobile company deems this reduction necessary.

The training plan is intended to integrate the requirements of all of the company's administrations, echelons, and levels. For this purpose, it plans to provide 2.25 million hours of training for the company as a whole. Fasa Renault has distributed an explanatory pamphlet among its employees in which, according to its top-ranking executive, Francis Stahl, an account is given of the forthcoming phase of competition with foreign firms, starting in 1992.

The unions, for their part, have repeatedly requested that, in 1992, the Spanish plants become definitively integrated with the French ones, and that a single group be established, with 20 percent of the total production assigned to the Spanish plants.

Mergers for 1992

The banking institutions have already progressed in consolidating a major entity to accumulate a sizable amount of capital to cope with the competition, including guarantees, in 1992. This holds true of the six savings banks in Castilla y Leon that have already begun a process of integration into the single entity, which will have its headquarters in Leon. The entities involved in the merger project are Leon Bank, Valladolid Provincial Bank, Popular Bank of Valladolid, Avila Bank, Zamora Bank, and Palencia Bank.

The other savings institutions have not joined in the overall project for the present. The six aforementioned banks have already signed the merger protocol, while at the same time creating a formal management commission that will be the one responsible for supervising the integration process. The next step is to devise organizational regulations. It is estimated that, in less than a year, there will be a single institution in Castilla y Leon, resulting from this merger.

The Generalitat is counting on an improvement in the situation of its banks. The support that this entity will receive from the autonomous authorities will be extremely important.

Galicia

35480108 Madrid *MERCADO* in Spanish
1 Jul 88 pp 41-43

[Article by Maria Mendez]

[Text]

The Last Train

The year 1992 will not represent the year of great sports and cultural events for Galicia, but rather, will assume the guise of an economic and social challenge; a process already undergone in all areas of the autonomous community, the advancement of which, begun with major difficulties, bodes a veiled optimism among the various sectors involved in its development.

Nevertheless, one detects a latent concern over the possibility of whether or not Galicia will be able to catch the "European train" when the Single Act is established. "A railway platform on which we could be left behind," according to the Galician Businessmen's Confederation, "if the current structure of Galician business is not geared to that of the Community during these next 4 years."

This goal, which represents a key to the Galician economy of 1992, entails prior provision of a communications infrastructure that will make it possible to cut production costs and facilitate exports. The businessmen are not very optimistic about this area, because of Galicia's minor presence in the major national projects.

The recently approved Railroad Transport Plan calls for a meager budgetary allotment for Galicia. The same holds true of the General Highway Plan, which fails to include it in its outline.

Bad Forecasts

The alternative projects, an access through Cornisa Cantabrica and through the center, appear to be discerned as remote, as are the sections of coastal expressway, the execution period of which exceeds the anticipated deadline.

The same holds true of the flawed customs procedures, a key device for exporting Galician products; as well as the Galician businessmen's request to be included in the STAR program.

The industrial parks, an enclave for large business firms, lack an infrastructure capable of offering the new advances in the communications field.

As for the institutional incentives for the creation of business firms (ZID for Ferrol, and Economic Promotion Zone for Galicia), the businessmen think that their procurement would be difficult. Nor do they hesitate to describe the budgets earmarked for the creation of a competitive industrial infrastructure as "meager."

The Xunta [Junta], however, thinks that the public investor effort is being translated into steady backing for private enterprise, an area to which it has appropriated about 40 million pesetas during the current fiscal year. The reindustrialization of the declining areas, as well as the creation of a diversified industrial fabric, constitute two bases of the institutional economic policy. According to the same sources, the credit effort is another one of the developed investment lines, reflected in a considerable public debt issue.

Necessary Specialization

Accelerated budgetary earnings, as well as greater financial attention to the traditional business firm, an important sector incapable of competing with the newly created ones, are proposals made by businessmen for the future institutional contributions. In this regard, the Xunta thinks that the business trend will have to converge in greater specialization. Maintaining obsolete business firms would mean leading them to failure after 1992. When mention is made in the autonomous agency of sectors to be reconverted, they are referring basically to the metallurgical industry.

The businessmen, for their part, think that it would be fitting to end the protectionism for this sector, which is quite unfeasible, so as to channel the aid to others with more of a future alternative; a group in which they include industries such as ready-made clothing, fashion,

agricultural, canning, and lumber. The Xunta also cited those in the tourism and agro-food sectors which, moreover, have an effect on the ones engaged in processing rural area products.

While the agricultural and livestock sector appears to be still the Galician economy's "not yet passed subject," and the one with the greatest chances of failing to adapt to the European market, institutional sources claim that, even if the necessary cuts are made, it will keep its current production levels intact.

Nevertheless, the key to this maintenance lies in the supply of better quality products, and hence those with greater value added, because they will not be able to compete on the basis of price.

To attain this goal, will, however, require a rapid, effective implementation of the established health standards; a difficult task when the designation of origin process is just now beginning.

Social, business, and institutional sources predict that, if the present labor disputes are surmounted, the Galician region would prove more attractive than ever for investment and the generation of jobs.

Andalucia

35480108 Madrid *MERCADO* in Spanish
1 Jul 88 pp 43-45

[Article by Juan Jose Berganza]

[Text]

A Historic Time

If one had to choose a region of Spain that could benefit the most economically after 1992, the response would have to be unanimous: Andalucia, if it knows how to make use of the estimated 500 million pesetas which are to be invested in its area, should cease to be one of the occupants of the so-called "caboose" of the Spanish economy.

There is no doubt that Andalucia has been lucky. Half a billion pesetas doesn't reach an autonomous region just like that. The reason for this large investment is, in the first place, none other than the holding of Expo-92 in Sevilla, an event that will prompt the arrival of some 20 million visitors to Andalucia. To handle all those visitors, and for the purpose of normalizing the marketing routes for Andalucian products from the region itself, over 400 million pesetas, 80 percent of the total amount to be invested in the area by public sources, will be allocated to provide the southern region with a new communications infrastructure.

The latter is, precisely, the main obstacle to Andalucia's ability to develop its economy. A region, where only 20 percent of the highways are capable of withstanding a

weight of 20 tons between axis routes, cannot be attractive to any business firm that would like to become established in its territory; just as this is hampering the sale of its products on the foreign market.

Current Shortcomings

The condition of Andalucian telecommunications is deplorable, representing a new problem for the region's development. The computer and telecommunications system is incapable of supporting an acceptable number of lines. If we add to this the fact that the terrain is insufficiently electrified, and there is not even a modern sewerage system, the result for the operations is virtually chaotic. There is only one solution, and this entails the new infrastructure that is being attempted to achieve.

The creation of a highway system in keeping with the autonomous region's future requirements, an activity wherein the creation of a transverse highway that would unite the province's eight capitals is preeminent, will have priority status, because Sevilla will be connected with Madrid by an expressway that will cut the distance between the Andalucian capital and the capital of Spain. Air transport will undergo a considerable improvement with the remodeling of the Sevilla, Malaga, and Jerez airports; a remodeling that will require a sum of 15 million pesetas. Finally, although not in order of importance, there remains to be reviewed the ambitious project involving the startup of a plan that would provide Andalucia with a modern railroad system, a system that would have as its "star" the new line to connect Madrid with Sevilla in 2 hours and 50 minutes. The investment in the railroad project will require 145 million pesetas.

Industrial Reorganization

The effort by the Andalucian authorities should, without any doubt, be aimed at taking advantage of this historic opportunity. Should the sizable investments that will arrive in this region represent only an illusion, resulting because the average Andalucian worker's level of training, which is currently low enough to preclude access to technological innovations, cannot be improved by long term study plans, we shall be faced without another example of "national slipshod work."

The Andalucia Junta is beginning to realize this, and has begun work on modern, specialized study plans, on the one hand, along with the agreements that have been concluded with the Expo-92 commissioner's office, aimed at making it possible for this exposition to be a youth training center.

And the Andalucian executive body is actually quite well aware of the fact that the only solution for the economy of its region entails the reconversion of its archaic structures into a new industry, aimed toward the agro-food sector. The agro-food and processing industry could

be the "light at the end of the tunnel" that the region will soon find, provided the opportunities being offered to Andalucia are used to advantage.

The Junta wants to be able to close the agricultural production cycle in Andalucia, making use of surplus production, through the creation of an agro-food industry system, and the possibility of marketing agricultural products in the area itself.

Basque Country

35480108 Madrid *MERCADO* in Spanish
1 Jul 88 pp 45-47

[Article by A. Cenzano]

[Text]

Chronic Problems

If every market that calls itself such needs a good showcase, the Ebro Valley capitals want to play that role in 1992. Zaragoza has been the leader, with the opening of an exhibition hall in the European vanguard. Meanwhile, in Logrono, the investments in the commercial sector have brought it to the brink of saturation, with one establishment for every 53 inhabitants.

The strategic location of both capitals is intended to be used to turn them into great centers of services within the "European space."

The Ebro Valley, the area currently preferred by the multinationals, is changing its appearance strenuously, and that transformation will be given an impetus with the establishment of the Single Market. By then, the attraction of capital and new population masses will necessitate zonal specialization. And the preparations have already begun for the change that is at hand.

The Great Showcase

To meet the challenge of industrial competition, two types of action have been taken. The first consists of a search for partners on the other side of the border, who share features and interests. The second lies in internal groups or in coordinated operations on the sectorial level.

These operations have taken shape in concrete initiatives. The search for suitable partners is being carried out by international specialists. The valley's 13 chambers of commerce, for their part, have started the establishment of a trading company to explore foreign markets, and have provided it with 2 million pesetas.

The Single Market's proximity has also been a deciding factor for the merger between the Zaragoza and La Rioja Savings Banks; this is just the first step toward the major financial entity that will manage the financial resources of the "Ebro Corridor."

In the agrarian sector, there has been a spectacular landing of several multinational companies, such as Nabisco Brands, Heinz, Pillsbury, and Reynolds.

The establishment of the Single Market, just as in the previous case of Spain's entry into the EEC, has not evoked any fear among the Ebro Valley's business owners. The vast majority think that its effects will prove clearly favorable, "because, in fact, we are already in Europe."

A very important sector in Navarra, the meat processing one, feels capable of displacing its competitors if operations are on an equal footing, and the bureaucratic barriers impeding its expansion disappear. In this autonomous community, exports have tripled since our entry into the Community.

The Great Transformation

When the Single Market arrives, the Europeans will find themselves faced with a very different Basque Country. At least, that is the intention of those directing the economy of this autonomous community.

Euskadi is well aware of the fact that the new system will require innovation in both the product and the process. And it has begun to accept this situation, through adjustments that have proven particularly painful. An industrial fabric dominated by steel as the sole product, with large ship-building and iron and steel plants, is being replaced by a constellation of small, highly technified business firms.

The development of new prototypes, the adoption of elite technologies, and the application of innovative experiments are being given priority in Euskadi as at no other time in its history. The proximity of the Single Market has spread the conviction among business owners and public authorities that a general reorganization of the infrastructure, based on the "European view," is absolutely necessary. With virtually no agricultural resources, and a sole industrial product in decline, the Basque Country has decided to opt for technology and, as a first step, it has become one of the most active partners in the innovation projects.

Unfortunately, the gigantic adjustment required by the Basque Country to position itself in line with its new competitors (many of which have spent decades experimenting with technologies in sectors where this declining region will now have to make its debut) must be accomplished through an extraordinarily rapid process. As the general secretary of the Guipuzcoa management association, Ruiz Urchegui, has so aptly stated: "We must take on in 4 years what others required 30 years to achieve." But there is no other recourse, because this, to put it bluntly, is the economic reality.

One of the most compromising activities is the establishment of the first national telematic system for private use, sponsored by the Society for Industrial Promotion and Reconversion. Another encouraging experiment is that headed by the New Activities Development Unit, which has proven that designs experimented on in Europe are also capable of succeeding in Euskadi. The costs of this deepseated renovation of the Basque industrial fabric have been considerable. The labor adjustment has run parallel to the disappearance of traditional giants and with investments in the millions. But if the social tension can be eliminated, those in Euskadi are convinced that, in 1992, they will be considered an elite technological enclave, and that an economic spring will occur again, after the cold blast of the crisis. They are all convinced of this possibility.

Valencia

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[Article by Salvador Martinez]

[Text]

To Improve Industry

An orphan of an external "driving force," the Valencian economy does not seem willing to let the modernization train pass by its door without boarding it, even though it may be the last car. There is a "silent revolution," headed by the central administration, the Valencian Generalitat, and private enterprise, wherein one discerns a society that has little to do with the subject of the "Happy Levante," but one that has not yet found its identifying marks.

The lack of organization as a social group that has typified the Valencian Community during the last 50 years of its history is still present, but the socioeconomic dynamism is such that, together with the first agglutinating element (the Valencian Generalitat) in its history, it is slowly beginning to correct the problem.

The first virtue, or "added value," which the magic date of 1992 is proving to have is that of serving as a catalyst for the entire process. It would appear that all the efforts, projects, large investments, and adjustments remaining to be made must be ready before 1992, otherwise it would be too late.

Projects Are Love Affairs

Before 1992, the central administration, basically through MOPU, has committed itself to settling several debts that it has "pending payment" in this territory: the Valencia bypass circumferential expressway, eliminating the so-called "European stoplight" at the gates of the Turia capital, the conversion of the Madrid-Valencia route N-III, as well as the Madrid-Albacete road, into automobile roads, and the Alicante circumferential route into an

automobile road, connecting the Mediterranean expressway with the Murcia automobile road, and the building of a large dam in Tous, in addition to the execution of an extensive "package" of projects and installations to prevent floods and inundations in the Jucar basin.

Concurrently with the MOPU projects, the Valencian Generalitat will complete the effort expended with its own regional highway plan, which will be coordinated around the major land communication axis routes, supplemented by activities in the realm of flood control, with a large package of investments in water channeling and purification. If all of these objectives are fulfilled, the Valencian Community will face the challenge of 1992 with two of its greatest "structural costs" settled: land transportation and total use of water resources.

Modern Businesses

Valencian business owners, for their part, have been the main leaders of this "silent revolution" that has affected the very roots of the community during the past few years. The cliche of business firms of family or individual origin and structure, created from the surpluses generated by agrarian income, and developed on the basis of a tradition and a sound infrastructure of consumer goods, which provided abundant skilled and cheap labor, and which have grown by instilling in the industry a commercial purpose based on flexible sales prices, has to an increasingly lesser extent reflected the reality of the Valencian business owner. And, of course, it by no means represents the dynamic elements thereof.

Different business firms, which are currently leaders of the toy industry sector, are developing new technologies. The Alicante shoe industry is making a "commercial reconversion," gradually withdrawing from the U.S. market, and aiming its foreign sales toward the European market which, in 1987, accounted for over 65 percent of total national shoe exports. In the textile and ready-made clothing industry, there are companies cashing in, with investments in diversified products and processes, on the impact entailed by the loss of the export tax exemption system. On the other hand, "giants" such as Tycesa, Ferrys, and Saenz Merino have little to fear from the future that 1992 represents. The whole world has been their market for years.

Very few autonomous communities have the luxury of an industrial level as developed on international markets as that of the Valencian region.

Canary Islands

35480108 Madrid *MERCADO* in Spanish 1 Jul 88 p 48

[Article by Maite Suner]

[Text]

Seeking a Solution

Of the 160 regions comprising the EEC, the Canary Islands is among the four most economically depressed.

A slightly developed industrial sector, the traditional shortage of water and raw materials, and a low level of energy production create an economic context in which the services sector is the main activator, generating 70 percent of the regional GDP.

The peculiar feature of the archipelago's economic and fiscal system was the reason, in 1986, that its integration into the EEC took place under conditions different from those of the rest of Spanish territory.

Since their entry into the Community, the performance of the economy of the Canaries has been positive, although a distortion has occurred which has affected the agricultural, fishing, and industrial sectors.

They cite the need for defending the elimination of the quotas and reference prices imposed on exports from the Canaries to the EEC, with a view toward 1992. Those exports, which are less than the Community's imports in a proportion of 1 to 5, are concentrated mainly in the fruit and vegetable sector, which has made the elimination of reference prices its "bone of contention" for survival after 1992, considering the fact that this is a sector which can hardly be transformed over the medium term. Paradoxically, by that date, and with the complete integration of the peninsular territory, reference prices will have started to be applied to protect peninsular production against that of Canary Islands, and the Spanish market will be the islands' main competitor with respect to the other European markets.

Flexibility

As for the industrial sector, the Canary Islands is at an obvious disadvantage in comparison with the EEC countries. The capacity for exporting to Community markets

is seriously curtailed by the shortage of materials and infrastructure. To protect internal production, general and special tariffs were being levied on imported products, tariff charges the collection of which came under the authority of the Insular Town Councils. On the occasion of entry into the Community, a gradual reduction of those customs duties began, and they are scheduled to reach zero as of 1 January 1992. There is another "black spot" in the repercussions from the membership on the industrial sector: the stiffening of the regulations on origin demanded of Canary Island exports to the EEC.

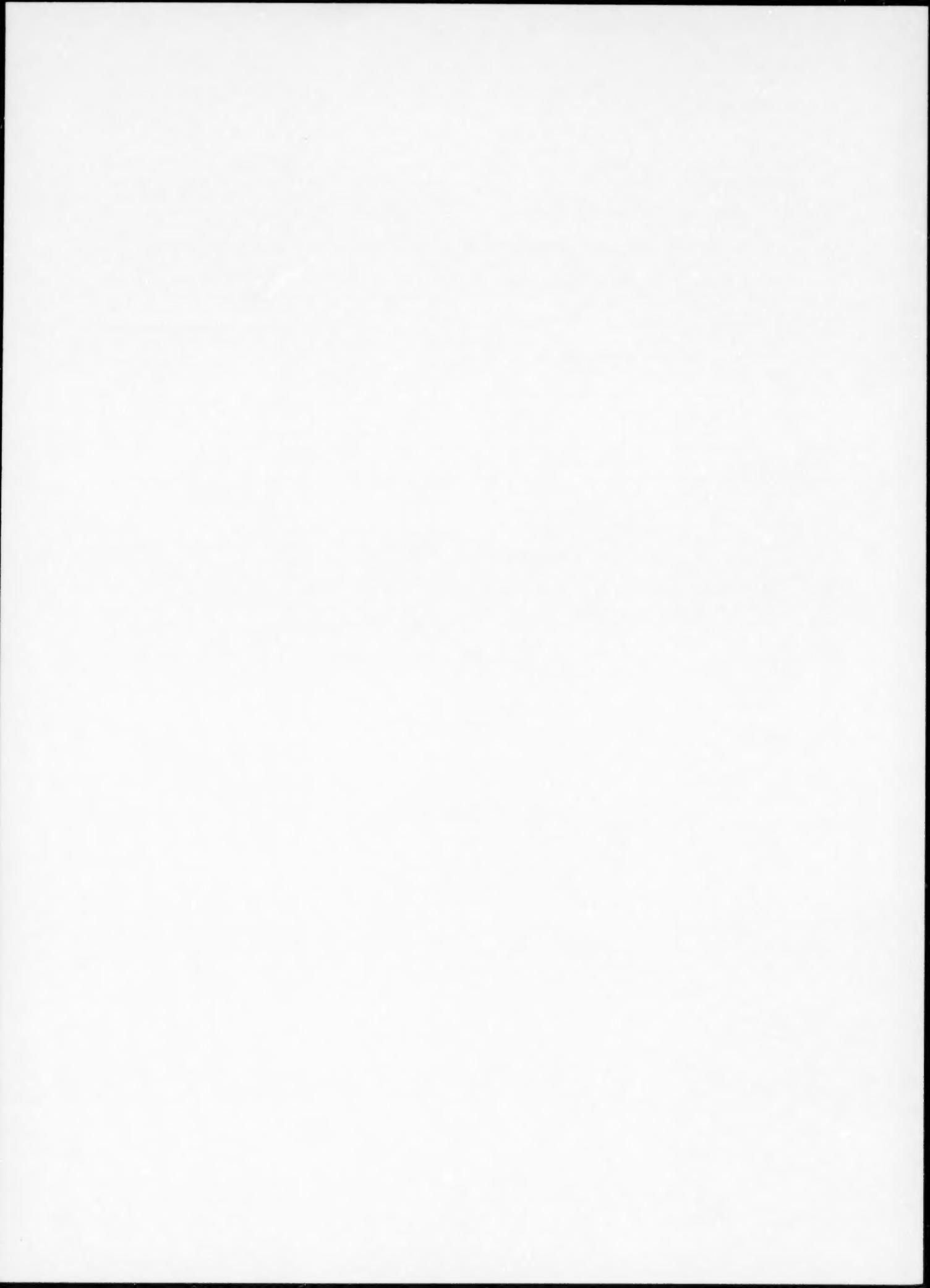
In Search of the Sun

Another area in which a substantial change is predictable by 1992 is the labor market. Various studies conducted have established the possibility that many liberal arts professionals and skilled workers in the tourist sector may move to the Canaries, causing an imbalance in the labor market in an area wherein specialized occupational training suffers from serious shortcomings.

Despite all the unsettled accounts, the Canary Islands has one important asset to its credit: its location in a privileged geographical area. Starting on that key date, the future of the islands will depend on whether it knows how to play its cards intelligently; which means not missing the train of the ambitious Community telecommunications program.

The Canary Islands has but little time remaining to avoid being left out of the world economic game.

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